

NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

<p>DATE: <u>03/05/2019</u></p> <p>CONTACT PERSON: _____</p> <p>TELEPHONE: _____</p> <p>EMAIL ADDRESS: _____</p> <p>ON BEHALF OF: _____</p> <p>NAME: <u>Dale Bruggeman</u></p> <p>TITLE: <u>Chair SAPWG</u></p> <p>AFFILIATION: <u>Ohio Department of Insurance</u></p> <p>ADDRESS: <u>50W. Town St., 3rd Fl., Ste. 300</u> <u>Columbus, OH 43215</u></p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2" style="text-align: center; padding-bottom: 5px;">FOR NAIC USE ONLY</td> </tr> <tr> <td colspan="2">Agenda Item # <u>2019-07BWG</u></td> </tr> <tr> <td colspan="2">Year <u>2019</u></td> </tr> <tr> <td colspan="2">Changes to Existing Reporting <input checked="" type="checkbox"/> [X]</td> </tr> <tr> <td colspan="2">New Reporting Requirement <input type="checkbox"/> []</td> </tr> <tr> <td colspan="2" style="text-align: center; padding-top: 5px;">REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT</td> </tr> <tr> <td colspan="2">No Impact <input checked="" type="checkbox"/> [X]</td> </tr> <tr> <td colspan="2">Modifies Required Disclosure <input type="checkbox"/> []</td> </tr> <tr> <td colspan="2" style="text-align: center; padding-top: 5px;">DISPOSITION</td> </tr> <tr> <td style="width: 20px; text-align: right; padding-right: 5px;"><input type="checkbox"/></td> <td>Rejected For Public Comment</td> </tr> <tr> <td style="text-align: right; padding-right: 5px;"><input type="checkbox"/></td> <td>Referred To Another NAIC Group</td> </tr> <tr> <td style="text-align: right; padding-right: 5px;"><input checked="" type="checkbox"/> X</td> <td>Received For Public Comment</td> </tr> <tr> <td style="text-align: right; padding-right: 5px;"><input type="checkbox"/></td> <td>Adopted Date _____</td> </tr> <tr> <td style="text-align: right; padding-right: 5px;"><input type="checkbox"/></td> <td>Rejected Date _____</td> </tr> <tr> <td style="text-align: right; padding-right: 5px;"><input type="checkbox"/></td> <td>Deferred Date _____</td> </tr> <tr> <td style="text-align: right; padding-right: 5px;"><input type="checkbox"/></td> <td>Other (Specify) _____</td> </tr> </table>	FOR NAIC USE ONLY		Agenda Item # <u>2019-07BWG</u>		Year <u>2019</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 checked="" type="checkbox"/> X	Received For Public Comment	<input type="checkbox"/>	Adopted Date _____	<input type="checkbox"/>	Rejected Date _____	<input type="checkbox"/>	Deferred Date _____	<input type="checkbox"/>	Other (Specify) _____
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BLANK(S) TO WHICH PROPOSAL APPLIES

- | | | |
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| <input checked="" type="checkbox"/> ANNUAL STATEMENT
<input checked="" type="checkbox"/> QUARTERLY STATEMENT | <input type="checkbox"/> INSTRUCTIONS
<input type="checkbox"/> BLANK | <input type="checkbox"/> CROSSCHECKS |
| <input type="checkbox"/> Life, Accident & Health/Fraternal
<input type="checkbox"/> Property/Casualty
<input type="checkbox"/> Health | <input type="checkbox"/> Separate Accounts
<input type="checkbox"/> Protected Cell
<input type="checkbox"/> Health (Life Supplement) | <input type="checkbox"/> Title
<input type="checkbox"/> Other _____ |

Anticipated Effective Date: Annual 2019

IDENTIFICATION OF ITEM(S) TO CHANGE

Modify the instructions for Note 20 (Fair Value) to reflect changes adopted for *SSAP No. 100R—Fair Value*. These changes reflect disclosure modifications adopted from U.S. GAAP (*ASU 2018-13, Changes to the Disclosure Requirements for Fair Value Measurement*). The revisions do not change any of the disclosure templates.

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

The purpose of this proposal is to modify the disclosure in Note 20 to reflect the changes to *SSAP No. 100R—Fair Value* adopted by the Statutory Accounting Principles (E).

NAIC STAFF COMMENTS

Comment on Effective Reporting Date: _____

Other Comments:

** This section must be completed on all forms.

Revised 7/18/2018

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

NOTES TO FINANCIAL STATEMENTS

Detail Eliminated to Conserve Space

20. Fair Value Measurements

Instruction:

- A. A reporting entity shall disclose information that helps users of the financial statements to assess both of the following:

For assets and liabilities that are measured and reported¹ at fair value or net asset value (NAV) in the statement of financial position after initial recognition, the valuation techniques and the inputs used to develop those measurements.

For fair value measurements in the statement of financial position determined using significant unobservable inputs (Level 3), the effect of the measurements on earnings (or changes in net assets) for the period.

To meet these objectives, the reporting entity shall disclose the information in paragraphs (1) through (4) below for each class of assets and liabilities measured and reported¹ at fair value or NAV in the statement of financial position after initial recognition. The reporting entity shall determine appropriate classes of assets and liabilities in accordance with the annual statement instructions.

- (1) The level of the fair value hierarchy within which the fair value measurements are categorized in their entirety (Level 1, 2 or 3). (Investments reported at NAV shall not be captured within the fair value hierarchy, but shall be separately identified.)

~~For assets and liabilities held at the reporting date, the amounts of any transfers between Level 1 and Level 2 of the fair value hierarchy, the reasons for the transfers, and the reporting entity's policy for determining when transfers between levels are recognized. Transfers into each level shall be disclosed and discussed separately from transfers out of each level.~~

- (2) For fair value measurements categorized within Level 3-of the fair value hierarchy a reconciliation from the opening balances to the closing balances disclosing separately changes during the period attributable to the following:

a. Total gains or losses for the period recognized in income or surplus.

b. Purchases, sales, issues and settlements (each type disclosed separately).

c. The amounts of any transfers into or out of Level 3, ~~and the reasons for those transfers, and the reporting entity's policy for determining when transfers between levels are recognized.~~ Transfers into Level 3 shall be disclosed and discussed separately from transfers out of Level 3.

¹ The term “reported” is intended to reflect the measurement basis for which the asset or liability is classified within its underlying SSAP. For example, a bond with an NAIC designation of 2 is considered an amortized cost measurement and is not included within this disclosure even if the amortized cost and fair value measurement are the same. An example of when such a situation may occur includes a bond that is written down as other-than-temporarily impaired as of the date of financial position. The amortized cost of the bond after the recognition of the other-than-temporary impairment may agree to fair value, but under SSAP No. 26R this security is considered to still be reported at amortized cost.

(3) A reporting entity shall ~~disclose~~ and consistently follow its policy for determining when transfers between levels are recognized. The policy about the timing of recognizing transfers shall be the same for transfers into Level 3 as that for transfers out of Level 3. Examples of policies for when to recognize the transfers are as follows:

- a. The actual date of the event or change in circumstances that caused the transfer.
- b. The beginning of the reporting period.
- c. The end of the reporting period.

Detail Eliminated to Conserve Space

E. For investments measured using the NAV practical expedient pursuant to *SSAP No. 100R—Fair Value*, a reporting entity shall disclose information that helps users of its financial statements to understand the nature and risks of the investments and whether the investments, if sold, are probable of being sold at amounts different from NAV per share. ~~To meet that objective, a~~ A reporting entity shall disclose, ~~at a minimum,~~ the following information for instances in which the investment may be sold below NAV, or if there are significant restrictions in the liquidation of an investment held at NAV:

- The NAV along with a description of the investment/investment strategy of the investee.
- If the investment that can never be redeemed with the investees, but the reporting entity receives distributions through the liquidation of the underlying assets of the investees, the reporting entity's estimate of the period of time over which the underlying assets are expected to be liquidated by the investees if the investee has communicated the timing to the reporting entity or announced the timing publicly. If the timing is unknown, the reporting entity shall disclose that fact.
- The amount of the reporting entity's unfunded commitments related to investments in the class.
- A general description of the terms and conditions upon which the investor may redeem the investment.
- The circumstances in which an otherwise redeemable investment in the class (or a portion thereof) might not be redeemable (e.g., investments subject to a lockup or gate). Also, for those otherwise redeemable investments that are restricted from redemption as of the reporting entity's measurement date, the reporting entity shall disclose its estimate of when the restriction from redemption might lapse if the investee has communicated that timing to the reporting entity or announced the timing publicly. If the timing is unknown an estimate cannot be made, the reporting entity shall disclose that fact and how long the restriction has been in effect.
- Any other significant restriction on the ability to sell investments in the class at the measurement date.
- If a group of investments would otherwise meet the criteria in *SSAP No. 100R—Fair Value* but the individual investments to be sold have not been identified (e.g., if a reporting entity decides to sell 20% of its investments in private equity funds but the individual investments to be sold have not been identified), so the investments continue to qualify for the practical expedient in *SSAP No. 100R—Fair Value*, the reporting entity shall disclose its plans to sell and any remaining actions required to complete the sale(s).

Detail Eliminated to Conserve Space

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