

## NAIC BLANKS (E) WORKING GROUP

### Blanks Agenda Item Submission Form

<p style="text-align: right;"><b>DATE:</b> <u>03/14/2016</u></p> <p><b>CONTACT PERSON:</b> _____</p> <p><b>TELEPHONE:</b> _____</p> <p><b>EMAIL ADDRESS:</b> _____</p> <p><b>ON BEHALF OF:</b> _____</p> <p><b>NAME:</b> <u>Dale Bruggeman</u></p> <p><b>TITLE:</b> <u>Chair SAPWG</u></p> <p><b>AFFILIATION:</b> <u>Ohio Department of Insurance</u></p> <p><b>ADDRESS:</b> <u>50W. Town St., 3<sup>rd</sup> Fl., Ste. 300</u> <u>Columbus, OH 43215</u></p>	<p style="text-align: center;"><b>FOR NAIC USE ONLY</b></p> <p>Agenda Item # <u>2016-15BWG MOD</u></p> <p>Year <u>2017</u></p> <p>Changes to Existing Reporting [ X ]</p> <p>New Reporting Requirement [ ]</p> <hr/> <p style="text-align: center;"><b>REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT</b></p> <p>No Impact [ X ]</p> <p>Modifies Required Disclosure [ ]</p> <hr/> <p style="text-align: center;"><b>DISPOSITION</b></p> <p>[ ] Rejected For Public Comment</p> <p>[ ] Referred To Another NAIC Group</p> <p>[ ] Received For Public Comment</p> <p>[ X ] Adopted Date <u>06/16/2016</u></p> <p>[ ] Rejected Date _____</p> <p>[ ] Deferred Date _____</p> <p>[ ] Other (Specify) _____</p>
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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 checked="" type="checkbox"/> INSTRUCTIONS               | <input checked="" 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: 1<sup>st</sup> Quarter 2017

#### IDENTIFICATION OF ITEM(S) TO CHANGE

Add new disclosure to Note 5 for short sales. The illustration in the disclosure will be data captured. Add a new code (SS) to the code list in the Investment Schedules General Instructions for short sales. Add additional instructions related to short sales to Schedule D (Part 1; Part 2, Section 1; Part 2, Section 2), Schedule DA, Part 1; and Schedule E, Part 2.

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

The purpose of this proposal is to add a new disclosure for short sales and add instructions to Schedule D (Part 1; Part 2, Section 1; Part 2, Section 2), Schedule DA, Part 1; and Schedule E, Part 2. These changes are the result of revisions being made to *SSAP No. 103—Transfers and Servicing of Financial Assets and Extinguishment of Liabilities* by the Statutory Accounting Principles Working Group.

#### NAIC STAFF COMMENTS

Comment on Effective Reporting Date: \_\_\_\_\_

Other Comments:

This proposal is to be considered simultaneously with of modifications to *SSAP No. 103—Transfers and Servicing of Financial Assets and Extinguishment of Liabilities* by the Statutory Accounting Principles Working Group.

**\*\* This section must be completed on all forms.**

**Revised 6/13/2009**

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

**DRAFTING NOTE:** Disclosure is being shown added as 5L this may change due to another proposal adding a disclosure to Note 5

NOTES TO FINANCIAL STATEMENTS

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5. Investments

Instruction:

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K. Structured Notes

Disclose the following for Structured Notes as defined in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office*:

- CUSIP Identification Number
- Actual Cost
- Fair Value
- Book/Adjusted Carrying Value

Also disclose if the Structured Note is a Mortgage-Referenced Security, also as defined in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office*.

L. Short Sales

For reporting entities that have sold securities short within the reporting period, provide the following disclosures:

(1) Unsettled Short Sale Transactions (Outstanding as of Reporting Date)

For Unsettled Short Sale Transactions (outstanding at reporting date) – The amount of proceeds received and the fair value of the securities to deliver, with current unrealized gains and/or losses, and the expected settlement timeframe (# of days). This disclosure shall include the fair value of current transactions that were not settled within three days and the fair value of the short sales expected to be satisfied by a securities borrowing transaction. This disclosure shall be aggregated by security type. (For example, short sales of common stock shall be aggregated and reported together.)

(2) Settled Short Sale Transactions

For Settled Short Sale Transactions (settled during the reporting period) – The aggregate amount of proceeds received and the fair value of the security as of the settlement date with recognized gains and/or losses. This disclosure shall identify the aggregated fair value of settled transactions that were not settled within three-days and the fair value of transactions that were settled through a securities borrowing transaction.

Illustration:

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

K. Structured Notes

CUSIP Identification	Actual Cost	Fair Value	Book/Adjusted Carrying Value	Mortgage-Referenced Security (YES/NO)
.....	\$ .....	\$ .....	\$ .....	.....
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
Total	\$ .....	\$ .....	\$ .....	XXX

**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 THIS ILLUSTRATION.**

L. Short Sales

(1) Unsettled Short Sale Transactions (Outstanding as of Reporting Date)

	Proceeds Received	Current Fair Value of Securities Sold Short	Unrealized Gain or Loss	Expected Settlement (# of Days)	Fair Value of Short Sales Exceeding (or expected to exceed) 3 Settlement Days	Fair Value of Short Sales Expected to be Settled by Secured Borrowing
a. Bonds	\$ .....	.....	.....	.....	.....	.....
b. Preferred Stock	.....	.....	.....	.....	.....	.....
c. Common Stock	.....	.....	.....	.....	.....	.....
d. Totals (a+b+c)	\$ .....	\$ .....	\$ .....	XXX	\$ .....	\$ .....

(2) Settled Short Sale Transactions

	Proceeds Received	Current Fair Value of Securities Sold Short	Realized Gain or Loss on Transaction	Fair Value of Short Sales that Exceeded 3 Settlement Days	Fair Value of Short Sales Settled by Secured Borrowing
a. Bonds	\$ .....	\$ .....	\$ .....	\$ .....	\$ .....
b. Preferred Stock	.....	.....	.....	.....	.....
c. Common Stock	.....	.....	.....	.....	.....
d. Totals (a+b+c)	\$ .....	\$ .....	\$ .....	\$ .....	\$ .....

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**INVESTMENT SCHEDULES GENERAL INSTRUCTIONS**  
 (Applies to all investment schedules)



The information included in the investment schedules shall be broken down to the level of detail as required when all columns and rows are considered together unless otherwise addressed in specific instructions. For example, on Schedule D Part 4, a reporting entity is required to list the CUSIP book adjusted carrying value, among other things. The reporting entity would only be required to break this information down to a lower level of detail if the information was inaccurate if reported in the aggregate. Thus, the reporting entity would not be required to break the information down by lot (information for each individual purchase) and could utilize the information for book/adjusted carrying value using an average cost basis, or some other method, provided the underlying data reported in that cell was calculated in accordance with the *Accounting Practices and Procedures Manual*. However, reporting entities are not precluded from reporting the information at a more detailed level (by lot) if not opposed by their domiciliary commissioner.

For the columns that disclose information regarding investments that are not under the exclusive control of the reporting entity, and also including assets loaned to others, the following codes should be used:

- LS – loaned or leased to others
- RA – subject to repurchase agreement
- RR – subject to reverse repurchase agreement
- DR – subject to dollar repurchase agreement
- DRR – subject to dollar reverse repurchase agreement
- C – pledged as collateral – excluding collateral pledged to FHLB
- CF – pledged as collateral to FHLB (including assets backing funding agreements)
- DB – placed under an option agreement
- DBP – placed under an option agreement involving “asset transfers with put options”
- R – letter stock or otherwise restricted as to sale – excluding FHLB capital stock  
 (Note: Private placements are not to be included unless specific restrictions as to sale are included as part of the security agreement)
- RF – FHLB capital stock
- SD – placed on deposit with state or other regulatory body
- M – not under the exclusive control of the reporting entity  
 for multiple reasons
- SS – short sale of a security
- O – other

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

SCHEDULE D – PART 1

LONG-TERM BONDS OWNED DECEMBER 31 OF CURRENT YEAR

Bonds are to be grouped as listed below and each category arranged alphabetically (securities included in U.S. States, Territories and Possessions; U.S. Political Subdivisions of States, Territories and Possessions; and U.S. Special Revenue and Special Assessment Obligations and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions should be listed with a state abbreviation in the column provided for electronic data capture).

Refer to *SSAP No. 23—Foreign Currency Transactions and Translations* for accounting guidance related to foreign currency transactions and translations.

Short Sales:

Selling a security short is an action by a reporting entity, which results with the reporting entity recognizing proceeds from the sale and an obligation to deliver the sold security. For statutory accounting purposes, obligations to deliver securities resulting from short sales shall be reported as contra-assets (negative assets) in the investment schedule, with an investment code in the code column detailing the item as a short sale. The obligation (negative asset) shall be initially reflected at fair value, with changes in fair value recognized as unrealized gains and losses. These unrealized gains and losses shall be realized upon settlement of the short sale obligation. Interest on short sale positions shall be accrued periodically and reported as interest expense.

If a reporting entity has any detail lines reported for any of the following required **categories or subcategories described in the Investment Schedules General Instructions**, it shall report the subtotal amount of the corresponding 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:

**NOTE: See the Investment Schedules General Instructions for the following:**

- **Category definitions for bonds and stocks.**
- **Foreign column code list and matrix for determining code.**
- **Code column list of codes and definitions for securities not under the exclusive control of the reporting entity.**
- **Flow chart for determining the NAIC designation for structured securities.**
- **List of stock exchange names and abbreviations.**



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

**SCHEDULE D – PART 2 – SECTION 1**

**PREFERRED STOCKS OWNED DECEMBER 31 OF CURRENT YEAR**

Stocks are to be grouped as listed below and arranged alphabetically, showing a subtotal for each category.

Short Sales:

Selling a security short is an action by a reporting entity, which results with the reporting entity recognizing proceeds from the sale and an obligation to deliver the sold security. For statutory accounting purposes, obligations to deliver securities resulting from short sales shall be reported as contra-assets (negative assets) in the investment schedule, with an investment code in the code column detailing the item as a short sale. The obligation (negative asset) shall be initially reflected at fair value, with changes in fair value recognized as unrealized gains and losses. These unrealized gains and losses shall be realized upon settlement of the short sale obligation. Interest on short sale positions shall be accrued periodically and reported as interest expense.

If a reporting entity has any detail lines reported for any of the following required categories or subcategories, it shall report the subtotal amount of the corresponding 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:

**NOTE: See the Investment Schedules General Instructions for the following:**

- **Category definitions for stocks.**
- **Foreign column code list and matrix for determining code.**
- **Code column list of codes and definitions for securities not under the exclusive control of the reporting entity.**
- **List of stock exchange names and abbreviations.**

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**SCHEDULE D – PART 2 – SECTION 2**

**COMMON STOCKS OWNED DECEMBER 31 OF CURRENT YEAR**

Stocks are to be grouped as listed below and arranged alphabetically, showing a subtotal for each category.

Short Sales:

Selling a security short is an action by a reporting entity, which results with the reporting entity recognizing proceeds from the sale and an obligation to deliver the sold security. For statutory accounting purposes, obligations to deliver securities resulting from short sales shall be reported as contra-assets (negative assets) in the investment schedule, with an investment code in the code column detailing the item as a short sale. The obligation (negative asset) shall be initially reflected at fair value, with changes in fair value recognized as unrealized gains and losses. These unrealized gains and losses shall be realized upon settlement of the short sale obligation. Interest on short sale positions shall be accrued periodically and reported as interest expense.

If a reporting entity has any detail lines reported for any of the following required categories or subcategories, it shall report the subtotal amount of the corresponding 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:

**NOTE: See the Investment Schedules General Instructions for the following:**

- **Category definitions for stocks.**
- **Foreign column code list and matrix for determining code.**
- **Code column list of codes and definitions for securities not under the exclusive control of the reporting entity.**
- **List of stock exchange names and abbreviations.**

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

**SCHEDULE E – PART 2 – CASH EQUIVALENTS**

List all investments owned whose maturities (or repurchase dates under repurchase agreement) at the time of acquisition were three months or less, and defined as cash equivalents in accordance with *SSAP No. 2—Cash, Drafts, and Short-Term Investments*. Do not include Money Market Mutual Funds.

Refer to *SSAP No. 23—Foreign Currency Transactions and Translations* for accounting guidance related to foreign currency transactions and translations.

Short Sales:

Selling a security short is an action by a reporting entity, which results with the reporting entity recognizing proceeds from the sale and an obligation to deliver the sold security. For statutory accounting purposes, obligations to deliver securities resulting from short sales shall be reported as contra-assets (negative assets) in the investment schedule, with an investment code in the code column detailing the item as a short sale. The obligation (negative asset) shall be initially reflected at fair value, with changes in fair value recognized as unrealized gains and losses. These unrealized gains and losses shall be realized upon settlement of the short sale obligation. Interest on short sale positions shall be accrued periodically and reported as interest expense.

If a reporting entity has any detail lines reported for any of the following required categories or subcategories, it shall report the subtotal amounts of the corresponding 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:

**NOTE: See the Investment Schedules General Instructions for the following:**

- **Category definitions for bonds.**
- **Code column list of codes and definitions for securities not under the exclusive control of the reporting entity.**

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