

**NAIC BLANKS (E) WORKING GROUP**

**Blanks Agenda Item Submission Form**

<b>CONTACT PERSON:</b> _____ <b>TELEPHONE:</b> _____ <b>EMAIL ADDRESS:</b> _____ <b>ON BEHALF OF:</b> _____ <b>NAME:</b> <u>Dale Bruggeman</u> <b>TITLE:</b> <u>Chair SAPWG</u> <b>AFFILIATION:</b> <u>Ohio Department of Insurance</u> <b>ADDRESS:</b> <u>50W. Town St., 3<sup>rd</sup> Fl., Ste. 300</u> <u>Columbus, OH 43215</u>	<b>DATE:</b> <u>03/13/2017</u>	<b>FOR NAIC USE ONLY</b>
	Agenda Item # <u>2017-10BWG</u> Year <u>2017</u> Changes to Existing Reporting [ X ] New Reporting Requirement [ ]	<b>REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT</b>
	No Impact [ X ] Modifies Required Disclosure [ ]	<b>DISPOSITION</b>
	[ ] Rejected For Public Comment [ ] Referred To Another NAIC Group [ ] Received For Public Comment [ X ] Adopted Date <u>06/14/2017</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: Annual 2017

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

Remove the definition for notional amount from the Schedule DB General Instructions, Schedule DB, Part A General Instructions and replace with the definition of notional amount adopted by the Statutory Accounting Principles Working Group for *SSAP No. 86—Derivatives* in the general instruction for Schedule DB. Modify the instruction for the Notional Amount Column for Schedule DB, Part A and Part B.

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

The purpose of this proposal is to replace the notional amount definition used for Schedule DB with the definition adopted by the Statutory Accounting Principles Working Group for *SSAP No. 86—Derivatives*.

**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.

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“*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.

**DEFINITION OF NOTIONAL AMOUNT**

The definition below is intended to be a principle for determining notional for all derivative instruments. To the extent a derivative type is not explicitly addressed in a through c, notional should be reported in a manner consistent with this principle.

“Notional amount” is defined as the face value of a financial instrument in a derivatives transaction as of a reporting date which is used to calculate future payments in the reporting currency. Notional amount may also be referred to as notional value or notional principal amount. The notional amount reported should remain static over the life of a trade unless the instrument is partially unwound or has a contractually amortizing notional. The notional amount shall apply to derivative transactions as follows:

- a. For derivative instruments other than futures contracts (e.g., options, swaps, forwards), the notional amount is either the amount to which interest rates are applied in order to calculate periodic payment obligations or the amount of the contract value used to determine the cash obligations. Non-US dollar contracts must be multiplied or divided by the appropriate inception foreign currency rate.
- b. For futures contracts, with a U.S. dollar-denominated contract size (e.g., Treasury note and bond contracts, Eurodollar futures) or underlying, the notional amount is the number of contracts at the reporting date multiplied by the contract size (value of one point multiplied by par value).
- c. For equity index and similar futures, the number of contracts at the reporting date is multiplied by the value of one point multiplied by the transaction price. Non-US dollar contract prices must be multiplied or divided by the appropriate inception foreign currency rate.

**DEFINITIONS OF DERIVATIVE INSTRUMENTS**

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

**SCHEDULE DB – PART A**  
**SECTIONS 1 AND 2**

**GENERAL INSTRUCTIONS**



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**Definitions:**

Hedging Effective:

A derivative transaction that is used in hedging transactions that meet the criteria of a highly effective hedge as described in *SSAP No. 86—Derivatives*, which are valued and reported in a manner that is consistent with the hedged asset or liability. These transactions have been voluntarily designated and are effective as of the reporting date.



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Other:

A derivative transaction written or sold by the reporting entity used for means other than (1) Hedging Effective; (2) Hedging Other; (3) Replication; or (4) Income Generation (definitions listed above or referenced in *SSAP No. 86—Derivatives*). When this subcategory is utilized, a description of the use should be included in the footnotes to the financial statements.

Notional / Contracts Definition

Notional Value:

~~The principal value upon which future payments are based in a derivative transaction as at a specific period in time (the “as of” reporting date) in the reporting currency. Converting the notional into reporting currency should be done in accordance with *SSAP No. 23 Foreign Currency Transactions and Translations*.~~

Swaps, Forwards, Collars, Floors and Caps:

~~All use a “notional” amount to calculate future payments. If there is a notional schedule, the reported notional would be that notional amount that is used to calculate the next payment.~~

Options (Calls, Puts, Warrants):

~~All use notional amount [or number of contracts for exchange-traded instruments] to calculate future payments. Both notional amount and number of contracts are reported.~~

Value of One (1) Point:

The monetary value of a one (1) point move in a futures position published by the exchange. May also be referred to as “Lot Size,” “Lots” or “Points” by the exchange.

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

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

SCHEDULE DB – PART A – SECTION 1

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

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Column 9 – Notional Amount

Show the notional amount ~~(i.e., the amount upon which the next cash payment is based)~~. Notional amounts are to be reported as an absolute (non-negative) value. Guidance for determining notional is included in the Schedule DB General Instructions and SSAP No. 86—Derivatives.

If the replication (synthetic asset) transactions are not denominated in U.S. dollar, convert it into U.S. dollar equivalent in accordance with *SSAP No. 23—Foreign Currency Transactions and Translations*.

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

SCHEDULE DB – PART A – SECTION 2

OPTIONS, CAPS, FLOORS, COLLARS, SWAPS AND FORWARDS TERMINATED  
DURING CURRENT YEAR

Column 11 – Notional Amount

Show the notional amount ~~(e.g., the amount upon which the next cash payment is based)~~. Notional amounts are to be reported as an absolute (non-negative) value. Guidance for determining notional is included in the Schedule DB General Instructions and SSAP No. 86—Derivatives.

If the replication (synthetic asset) transaction is not denominated in U.S. dollar, convert it into U.S. dollar equivalent in accordance with *SSAP No. 23—Foreign Currency Transactions and Translations*.

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

**SCHEDULE DB – PART B – SECTION 1**

**FUTURES CONTRACTS OPEN  
DECEMBER 31 OF CURRENT YEAR**

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Column 3 – Notional Amount

Show the total notional amount of the futures position on December 31 of the reporting year as absolute (non-negative) value. Guidance for determining notional is included in the Schedule DB General Instructions and SSAP No. 86—Derivatives.

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

**SCHEDULE DB – PART B – SECTION 2**

**FUTURES CONTRACTS TERMINATED  
DURING CURRENT YEAR**

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Column 3 – Notional Amount

Show the total notional amount of the futures position terminated during the current year as absolute (non-negative) value. Guidance for determining notional is included in the Schedule DB General Instructions and SSAP No. 86—Derivatives.

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

SCHEDULE DB – PART A – SECTION 1

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



**Detail Eliminated To Conserve Space**

**Definitions:**

Hedging Effective:

A derivative transaction that is used in hedging transactions that meet the criteria of a highly effective hedge as described in *SSAP No. 86—Derivatives*, which are valued and reported in a manner that is consistent with the hedged asset or liability. These transactions have been voluntarily designated and are effective as of the reporting date.



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Notional/Contracts Definition

Notional Value:

~~The principal value upon which future payments are based in a derivative transaction as at a specific period in time (the “as of” reporting date) in the reporting currency. Converting the notional into reporting currency should be done in accordance with *SSAP No. 23 Foreign Currency Transactions and Translations*.~~

~~Swaps, Forwards, Collars, Floors and Caps: All use a “notional” amount to calculate future payments. If there is a notional schedule, the reported notional would be that notional amount that is used to calculate the next payment.~~

~~Options (Calls, Puts, Warrants): All use notional amount (or number of contracts for exchange traded instruments) to calculate future payments. Both notional amount and number of contracts are reported.~~

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The monetary value of a one (1) point move in a futures position published by the exchange. May also be referred to as “Lot Size,” “Lots” or “Points” by the exchange.

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



**Detail Eliminated To Conserve Space**

Column 9 – Notional Amount

Show the notional amount ~~(i.e., the amount upon which the next cash payment is based)~~. Notional amounts are to be reported as an absolute (non-negative) value. Guidance for determining notional is included in the Schedule DB General Instructions and SSAP No. 86—Derivatives.

If the replication (synthetic asset) transaction is not denominated in U.S. dollar, convert it into U.S. dollar equivalent in accordance with *SSAP No. 23—Foreign Currency Transactions and Translations*.

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**QUARTERLY STATEMENT INSTRUCTIONS – LIFE, HEALTH, PROPERTY, FRATERNAL & TITLE**

**SCHEDULE DB – PART B – SECTION 1**

**FUTURES CONTRACTS OPEN**

**Detail Eliminated To Conserve Space**

Column 3 – Notional Amount

Show the total notional amount of the futures position on December 31 of the reporting year as absolute non-negative values. Guidance for determining notional is included in the Schedule DB General Instructions and SSAP No. 86—Derivatives.

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