

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>03/13/2017</u>	FOR NAIC USE ONLY
	Agenda Item # <u>2017-15BWG</u> Year <u>2017</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>06/14/2017</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 checked="" type="checkbox"/> [X] 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 2017

IDENTIFICATION OF ITEM(S) TO CHANGE

Add additional disclosure item to Note 25, Change in Incurred Losses and Loss Adjustment Expenses (life, health, property, fraternal and title) and Note 32 Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses (property).

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

The purpose of this proposal is to add additional disclosure to in *SSAP No. 55—Unpaid Claims, Losses and Loss Adjustment Expenses* and *SSAP No. 32—Property and Casualty Contracts* from Statutory Accounting Principles Working Group related to changes in methodology about unpaid losses and loss adjusting expenses which were based on *ASU 2015-09, Financial Services – Insurance –Disclosures about Short-Duration Contracts*.

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

25. Change in Incurred Losses and Loss Adjustment Expenses

Instruction:

- A. _____ Describe the reasons for changes in the provision for incurred loss and loss adjustment expenses attributable to insured events of prior years. The disclosure should indicate whether additional premiums or return premiums have been accrued as a result of the prior-year effects (if applicable).

- B. _____ Information about significant changes in methodologies and assumptions used in calculating the liability for unpaid losses and loss adjustment expenses, including reasons for the change and the effects on the financial statements for the most recent reporting period presented.

Illustration:

- A. _____ Reserves as of December 31, 2____ were \$_____ million. As of _____, 2____, \$_____ million has been paid for incurred losses and loss adjustment expenses attributable to insured events of prior years. Reserves remaining for prior years are now \$_____ million as a result of re-estimation of unpaid claims and claim adjustment expenses principally on yyy and zzz lines of insurance. Therefore, there has been a \$_____ million unfavorable (favorable) prior-year development since December 31, 2____ to _____, 2____. The increase (decrease) is generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased, as additional information becomes known regarding individual claims. Included in this increase (decrease), the Company experienced \$_____ million of unfavorable (favorable) prior year loss development on retrospectively rated policies. However, the business to which it relates is subject to premium adjustments.



Detail Eliminated To Conserve Space

NOTES TO FINANCIAL STATEMENTS



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25. Changes in Incurred Losses and Loss Adjustment Expenses

Instruction:

- A. _____ Describe the reasons for changes in the provision for incurred loss and loss adjustment expenses attributable to insured events of prior years. The disclosure should indicate whether additional premiums or return premiums have been accrued as a result of the prior-year effects (if applicable).

- B. Information about significant changes in methodologies and assumptions used in calculating the liability for unpaid losses and loss adjustment expenses, including reasons for the change and the effects on the financial statements for the most recent reporting period presented.

Illustration:

- A. _____ Reserves as of December 31, 2____ were \$_____ million. As of _____, 2____, \$_____ million has been paid for incurred losses and loss adjustment expenses attributable to insured events of prior years. Reserves remaining for prior years are now \$_____ million as a result of re-estimation of unpaid claims and claim adjustment expenses principally on yyy and zzz lines of insurance. Therefore, there has been a \$_____ million unfavorable (favorable) prior-year development since December 31, 2____ to _____, 2____. The increase (decrease) is generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased, as additional information becomes known regarding individual claims. Included in this increase (decrease), the Company experienced \$_____ million of unfavorable (favorable) prior year loss development on retrospectively rated policies. However, the business to which it relates is subject to premium adjustments.



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NOTES TO FINANCIAL STATEMENTS



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25. Change in Incurred Losses and Loss Adjustment Expenses

Instruction:

A. _____ Describe the reasons for changes in the provision for incurred claim and claim adjustment expenses attributable to insured events of prior years. The disclosure should indicate whether additional premiums or return premiums have been accrued as a result of the prior-year effects (if applicable).

For Title reporting entities, “provision” refers to the known claims reserve included in Line 1 of the Liabilities page and “prior years” refers to prior report years.

B. _____ Information about significant changes in methodologies and assumptions used in calculating the liability for unpaid claims and claim adjustment expenses, including reasons for the change and the effects on the financial statements for the most recent reporting period presented.

Illustration:

A. _____ Reserves as of December 31, 2____ were \$_____ million. As of ____ __, 2____, \$_____ million has been paid for incurred losses and loss adjustment expenses attributable to insured events of prior years. Reserves remaining for prior years are now \$_____ million as a result of re-estimation of unpaid claims and claim adjustment expenses principally on yyy and zzz lines of insurance. Therefore, there has been a \$_____ million unfavorable (favorable) prior-year development since December 31, 2____ to ____ __, 2____. The increase (decrease) is generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased, as additional information becomes known regarding individual claims. Included in this increase (decrease), the Company experienced \$_____ million of unfavorable (favorable) prior year loss development on retrospectively rated policies. However, the business to which it relates is subject to premium adjustments.



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NOTES TO FINANCIAL STATEMENTS



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32. Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses

Instruction:

State whether or not any of the liabilities for unpaid losses or unpaid loss adjustment expenses are discounted, including liabilities for Workers' Compensation. If the company is required to respond to this note in the affirmative for non-tabular discounting, it must also respond in the affirmative to Schedule P Interrogatory 4, and complete Columns 32 and 33 of Part 1, Part 1A, etc., of Schedule P.

If the answer is in the affirmative, furnish the following information for each line of business affected:

A. If a tabular basis is used:

- Identify table used.
- Rate(s) used to discount.
- The amount of discounted liability reported in the financial statements.
- The amount of tabular discount, disclosed by line of business and reserve category (i.e., case and IBNR).
- The amount of interest accretion recognized in the Statement of Income.
- The line item(s) in the Statement of Income in which the interest accretion is classified.

Definition of Tabular Reserves:

Tabular reserves by accident year are indemnity reserves that are calculated using discounts determined with reference to actuarial tables that incorporate interest and contingencies such as mortality, remarriage, inflation, or recovery from disability applied to a reasonably determinable payment stream. This definition shall not include medical loss reserves or any loss adjustment expense reserves.



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Illustration:

The Company discounts the liabilities for unpaid losses for Workers' Compensation and Medical Professional Liability claims. The Company does not discount unpaid loss adjustment expenses.

Reserves for Workers' Compensation claims have been discounted on a tabular basis using the _____ Table at _____%. The December 31, 20__ and December 31, 20__ liabilities include \$_____ and \$_____ of such discounted reserves, respectively. The Company recognized \$_____ amount of interest accretion in the Statement of Income for the current year related to tabular discount on Lines _____. The amount of discount for case and IBNR reserves at December 31, 20__ is as follows:

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.

(NOTE: THIS DOES NOT INCLUDE THE ENDING NARRATIVE.)

A. Tabular Discount

Schedule P Lines of Business	Tabular Discount Included in Schedule P, Part 1*	
	1 Case	2 IBNR
1. Homeowners/Farmowners		
2. Private Passenger Auto Liability/Medical		
3. Commercial Auto/Truck Liability/Medical		
4. Workers' Compensation		
5. Commercial Multiple Peril		
6. Medical Professional Liability – occurrence		
7. Medical Professional Liability – claims-made		
8. Special Liability		
9. Other Liability – occurrence		
10. Other Liability – claims-made		
11. Special Property		
12. Auto Physical Damage		
13. Fidelity, Surety		
14. Other (including Credit, Accident & Health)		
15. International		
16. Reinsurance Nonproportional Assumed Property		
17. Reinsurance Nonproportional Assumed Liability		
18. Reinsurance Nonproportional Assumed Financial Lines		
19. Products Liability – occurrence		
20. Products Liability – claims-made		
21. Financial Guaranty/Mortgage Guaranty		
22. Warranty		
23. Total		

* Must exclude medical loss reserves and all loss adjustment expense reserves.

Medical Professional Liability unpaid losses have been discounted on a nontabular basis using rates of from _____% to _____%. The discount rates used are based upon _____. The amount of the discount as of December 31, 20__ and December 31, 20__ respectively is \$_____ and \$_____ for losses and \$_____ and \$_____ for loss adjustment expense. The amount of discount at December 31, 20__ for case, IBNR, Defense & Cost Containment expense and Adjusting & Other expense is as follows:


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