

# FORVIS

**2023  
Insurance Virtual Seminar**

Insurance

## **Statutory Accounting & Reporting Update**

- Connie Jasper Woodroof / December 6, 2023

# Agenda

- 2023 Statement Changes
- Risk-Based Capital Revisions
- Statutory Accounting
- Valuation of Securities Task Force (SVO)
- Other NAIC Topics



# 2023 Annual Statement Revisions

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**FORV/S**

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# Jurat Page

- Addition of appointed actuary contact information (electronic capture only)
  - Life/Fraternal appointed for opinion required by VM-30
  - Health, Property/Casualty, & Title provides actuarial opinion
- Qualified actuary contact information
  - Life/Fraternal companies and Health companies filing Life supplement only
  - Prepares one or more sub-reports under VM-31 for PBR

# Note 7 – Investment Income

From revisions to  
*SSAP No. 34*

A. Due and accrued income was excluded from surplus on the following bases:

B. The total amount excluded was \$\_\_\_\_\_.

C. The gross, nonadmitted and admitted amounts for interest income due and accrued.

<u>Interest Income Due and Accrued</u>	<u>Amount</u>
1. Gross	\$ _____
2. Nonadmitted	\$ _____
3. Admitted	\$ _____

Ties to Assets page  
Line 14.1, Cs 1, 2 & 3

D. The aggregate deferred interest.

<u>Aggregate Deferred Interest</u>	<u>Amount</u>
	\$ _____

Applies where interest pymts  
can be contractually deferred  
past originally scheduled payment  
date.

E. The cumulative amounts of paid-in-kind (PIK) interest included in the current principal balance.

<u>Cumulative amounts of PIK interest included in the current principal balance</u>	<u>Amount</u>
	\$ _____

Cumulative amount of  
PIK interest included in  
Current principal balance.

# Note 7 – Investment Income

E. The cumulative amounts of paid-in-kind (PIK) interest included in the current principal balance/par value.

	Amount
Cumulative amounts of PIK interest included in the current principal balance	\$

August clarifications:

Paydowns/disposals/sales, etc. applied first to any PIK interest in principal balance. No reduction to principal until PIK fully eliminated: For example:

Original par: \$100  
Paydowns received: \$30  
PIK included in cumulative balance: \$20 (50 less 30)



Identify amounts of PIK by lot, aggregate amounts by CUSIP/PPN that have net increases to original par.

Net increase includes “adjusted” PIK added to par value.

PIK can be calculated through a practical expedient calc of original par/principal value to current par/principal value (not less than zero)

August clarification will be posted to BWG website as guidance.

# Note 8 - Derivatives

- New section providing information on the aggregate excluded components by category
- Required by revisions to *SSAP No. 86 - Derivatives*

<u>Type of Excluded Component</u>	<u>Current Fair Value</u>	<u>Recognized Unrealized Gain (Loss)</u>	<u>Fair Value Reflected in BACV</u>	<u>Aggregate Amount Owed at Maturity</u>	<u>Current Year Amortization</u>	<u>Remaining Amortization</u>
1a. Time Value	\$ .....	\$ .....	\$ .....	XXX .	XXX	XXX
2b. Volatility Intrinsic Value	\$ .....	\$ .....	\$ .....	XXX .	XXX	XXX
3c. Cross Current Basis Spread	\$ .....	\$ .....	XXX .	XXX .	XXX	XXX
4d. Forward Points	\$ .....	\$ .....	XXX .	\$ .....	\$ .....	\$ .....

# Note 9 – Income Taxes

- INT 23-03: Corporate Alternative Minimum Tax Guidance
  - Adopted Sept. 21
  - Guidance for year-end 2023 and beyond
  - Pay attention to paragraph 37.b regarding state approval of new tax sharing agreements for insurance groups



# Note 20 – Fair Value Measurement

- Revisions to SSAP No. 100R
  - Updated guidance for value measurement of restricted securities
    - Equity securities that cannot be sold at measurement date because of contractual sale restrictions, measured at fair value on basis of price in principal market.
  - New disclosure for market value of equity securities held subject to contractual sale restrictions

# Notes to Financials

## ■ **Reminder**

- Additional Notes disclosures will be added in December as a result of work completed by Statutory Accounting Principles Working Group after statement blank finalized. Currently:
  - Admitted negative IMR
  - Corporate Minimum Alternative Tax
  - Paid-in-Kind (PIK) interest
- Will be in written format only; not data captured.

# Investments

- *SSAP Nos. 20 and 21R*
  - Underlying collateral for collateral loans must be an admitted asset
  - Underlying collateral subject to *SSAP No. 48* or *SSAP No. 97* must be audited for admission
    - Will be valued at fair value, NOT audited equity
    - For 2023 transition, annual audit can occur in 2024 but must be in reporting year going forward

# Investments

- *SSAP No. 43R*
  - As of January 1, 2024, **collateralized loan obligations (CLOs)** will be subject to modeling by SSG
    - Modeling results will not be available for 2024 quarterly reporting
      - Until current year financial modeling information becomes available follow established designation procedures as outlined in P&P Manual
    - CLOs do not qualify as legacy securities
      - NAIC designation and designation category assigned by SVO must be used
    - CLOs that are ineligible for modeling, but are rated by CRP, fall into the filing exempt (FE) securities process (stated in IAO Manual)
    - CLOs not eligible for modeling and NOT rated by CRP are reported as 5.B.GI and disclosed in associated general interrogatory (stated in IAO Manual)

# Investments

- *SSAP No. 43R and 48*
  - Inserts accounting guidance for residuals
  - Defines reporting categories for residuals in Schedule BA
  - Separate proposal addressing different types of residual investments to be reported on Schedule BA
    - Previous statement reporting categories did not address residuals that included joint ventures, partnerships and limited liability companies
    - Effective for year-end 2023 reporting – BWG to post on website as guidance

# Schedule DB – Parts A & B – Sections 1 & 2

- Updated instructions for Code column
  - Adds % for use to indicate derivatives with excluded components
- New electronic reporting columns
  - Fair Value of the Excluded Component
  - Fair Value of the Excluded Component Reflected in the Reported Book Adjusted Carrying Value
  - The Change in Fair Value Reported as an Unrealized Gain (Loss)
- From revisions to *SSAP No. 86 – Derivatives*

# Schedule Y – Part 3

- Include mutual insurance companies that are part of the holding company system

# Supplements

- Accident & Health Experience Exhibit
  - Removal of Life/Fraternal crosschecks for columns 2, 5, 10
- Long-Term Care
  - Updates 3 primary issue periods
- Supplemental Health Care Exhibit
  - Part 3 deleted
  - Expense Allocation Report deleted
  - Needed definitions retained



# Market Conduct Annual Statement Exhibit

**NEW**

- Identifies premiums reportable for Market Conduct Annual Statement by LOB and by state
  - File separate page for each state where any LOB indicates ‘yes’

<u>MCAS Line of Business</u>	<u>MCAS Reportable Premium/Considerations (Yes/No)</u>
<u>1. Disability Income</u>	.....
<u>2. Health</u>	.....
<u>3. Homeowners</u>	.....
<u>4. Individual Annuity</u>	.....
<u>5. Individual Life</u>	.....
<u>6. Lender-Placed Home and Auto</u>	.....
<u>7. Long-Term Care</u>	.....
<u>8. Other Health</u>	.....
<u>9. Private Flood</u>	.....
<u>10. Private Passenger Auto</u>	.....
<u>11. Short-Term Limited Duration Health Plans</u>	.....
<u>12. Travel</u>	.....

Indicate ‘yes’ if reported premium amount meets MCAS thresholds; otherwise indicate ‘no.’

# Property/Casualty Statement

**Heads UP !!!!**

- Schedule H – Part 5
  - Removed instruction indicating companies with less than 5% A&H premiums did not need to complete
  - All companies with A&H must now complete

# Property/Casualty Statement

- New supplement to provide more detailed reporting for Other Liability
  - Exhibit of Other Liabilities – By Lines of Business
    - Ties to Lines 17.1, 17.2, 17.3 of state page
  - Due March 1
  - All entities reporting Other Liability on state page must file
  - Statement Instructions include LOB definitions in Appendix

# Property/Casualty Statement

- Exhibit of Other Liabilities – By Lines of Business

	Direct Business Only			
	Prior Year	Current Year		
	1 <u>Written Premium</u>	2 <u>Written Premium</u>	3 <u>Losses Paid (deducting salvage)</u>	4 <u>Losses Unpaid (Case Base)</u>
1. Completed Operations .....	.....	.....	.....	.....
2. Errors & Omissions (E&O) .....	.....	.....	.....	.....
3. Directors & Officers (D&O) .....	.....	.....	.....	.....
4. Environmental Liability .....	.....	.....	.....	.....
5. Excess Workers' Compensation .....	.....	.....	.....	.....
6. Commercial Excess & Umbrella .....	.....	.....	.....	.....
7. Personal Umbrella .....	.....	.....	.....	.....
8. Employment Liability .....	.....	.....	.....	.....
9. Aggregate write-ins for Facilities & Premises (CGL) .....	.....	.....	.....	.....
10. Internet & Cyber Liability .....	.....	.....	.....	.....
11. Aggregate write-ins for other .....	.....	.....	.....	.....
12. Total ASL 17 – Other Liability (Sum of Lines 1 through 11)	.....	.....	.....	.....
<b><u>DETAILS OF WRITE-INS</u></b>				
0901. ....	.....	.....	.....	.....
0902. ....	.....	.....	.....	.....
0903. ....	.....	.....	.....	.....
0998. Summary of remaining write-ins for Line 9 from overflow page .....	.....	.....	.....	.....
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9 above)	.....	.....	.....	.....
1101. ....	.....	.....	.....	.....
1102. ....	.....	.....	.....	.....
1103. ....	.....	.....	.....	.....
1198. Summary of remaining write-ins for Line 11 from overflow page .....	.....	.....	.....	.....
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)	.....	.....	.....	.....

## Steps to completion:

- Complete lines 1 thru 8 and Line 10
  - No materiality exception
  - Should tie back to grand total state page for each LOB and in total

# Property/Casualty Statement

## ■ Exhibit of Other Liabilities – By Lines of Business

	Direct Business Only			
	Prior Year	Current Year		
	1	2	3	4
	Written Premium	Written Premium	Losses Paid (deducting salvage)	Losses Unpaid (Case Base)
1. Completed Operations.....				
2. Errors & Omissions (E&O).....				
3. Directors & Officers (D&O).....				
4. Environmental Liability.....				
5. Excess Workers' Compensation.....				
6. Commercial Excess & Umbrella.....				
7. Personal Umbrella.....				
8. Employment Liability.....				
9. Aggregate write-ins for Facilities & Premises (CGL).....				
10. Internet & Cyber Liability.....				
11. Aggregate write-ins for other.....				
12. Total ASL 17 – Other Liability (Sum of Lines 1 through 11)				
<b>DETAILS OF WRITE-INS</b>				
0901.....				
0902.....				
0903.....				
0998. Summary of remaining write-ins for Line 9 from overflow page.....				
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9 above)				
1101.....				
1102.....				
1103.....				
1198. Summary of remaining write-ins for Line 11 from overflow page.....				
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)				

### Steps to completion:

2. Address Line 9 which applies to **ONLY** the following lines of business:

- Construct & Alteration Liab
- Contractual Liability
- Elevators & Escalators Liab
- Liquor Liability
- Personal Injury Liability
- Premises & Operations Liab
- Commercial General Liab (GCL)
- Comprehensive Personal Liab
- Day Care Centers
- Fire Legal Liability
- Municipal Liability
- Veterinarian

# Property/Casualty Statement

- Exhibit of Other Liabilities – By Lines of Business

	Direct Business Only			
	Prior Year	Current Year		
	1 <u>Written Premium</u>	2 <u>Written Premium</u>	3 <u>Losses Paid (deducting salvage)</u>	4 <u>Losses Unpaid (Case Base)</u>
1. Completed Operations .....	.....	.....	.....	.....
2. Errors & Omissions (E&O) .....	.....	.....	.....	.....
3. Directors & Officers (D&O) .....	.....	.....	.....	.....
4. Environmental Liability .....	.....	.....	.....	.....
5. Excess Workers' Compensation .....	.....	.....	.....	.....
6. Commercial Excess & Umbrella .....	.....	.....	.....	.....
7. Personal Umbrella .....	.....	.....	.....	.....
8. Employment Liability .....	.....	.....	.....	.....
9. Aggregate write-ins for Facilities & Premises (CGL) .....	.....	.....	.....	.....
10. Internet & Cyber Liability .....	.....	.....	.....	.....
11. Aggregate write-ins for other .....	.....	.....	.....	.....
12. Total ASL 17 – Other Liability (Sum of Lines 1 through 11)	.....	.....	.....	.....
<b>DETAILS OF WRITE-INS</b>				
0901. ....	.....	.....	.....	.....
0902. ....	.....	.....	.....	.....
0903. ....	.....	.....	.....	.....
0998. Summary of remaining write-ins for Line 9 from overflow page .....	.....	.....	.....	.....
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9 above)	.....	.....	.....	.....
1101. ....	.....	.....	.....	.....
1102. ....	.....	.....	.....	.....
1103. ....	.....	.....	.....	.....
1198. Summary of remaining write-ins for Line 11 from overflow page .....	.....	.....	.....	.....
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)	.....	.....	.....	.....

Line 9 completion:

**If total** of all Line 9 LOBs CY direct written premium < 10% of total on Line 12, report total in aggregate

**If total** of Line 9 LOBs CY direct written premium =>10% of Line 12 total, list each line of business that is >10% of Line 9 separately, others in the aggregate

# Property/Casualty Statement

## ■ Exhibit of Other Liabilities – By Lines of Business

	Direct Business Only			
	Prior Year	Current Year		
	1	2	3	4
	Written Premium	Written Premium	Losses Paid (deducting salvage)	Losses Unpaid (Case Base)
1. Completed Operations .....				
2. Errors & Omissions (E&O) .....				
3. Directors & Officers (D&O) .....				
4. Environmental Liability .....				
5. Excess Workers' Compensation .....				
6. Commercial Excess & Umbrella .....				
7. Personal Umbrella .....				
8. Employment Liability .....				
9. Aggregate write-ins for Facilities & Premises (CGL) .....				
10. Internet & Cyber Liability .....				
11. Aggregate write-ins for other .....				
12. Total ASL 1/ – Other Liability (Sum of Lines 1 through 11)				
<b>DETAILS OF WRITE-INS</b>				
0901. ....				
0902. ....				
0903. ....				
0998. Summary of remaining write-ins for Line 9 from overflow page .....				
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9 above)				
1101. ....				
1102. ....				
1103. ....				
1198. Summary of remaining write-ins for Line 11 from overflow page .....				
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)				

Steps to completion:

3. Complete Line 11 – Aggregate write ins for other.

➤ Use for LOBs not listed in Lines 1 – 10

➤ If total of Line 11 CY direct written premium < 10% of total on Line 12, report total in aggregate

➤ If total of Line 11 CY direct written premium => 10% of Line 12 total, list each line of business > 10% of Line 11 separately, others in the aggregate

# Life/Fraternal Statement

- Exhibits 1 & 8
  - LOBs match those used in the Analysis of Operations
    - Includes revised lines in quarterly Exhibit 1
  - Some footnotes remained; others removed

		Insurance										
1	2	Ordinary		5	Group		Accident and Health			11	12	
		3	4		6	7	8	9	10			
Total	<u>Industrial Individual Life</u>	<u>Group Life Insurance</u>	<u>Individual Annuities</u>	<u>Credit Life (Group and Individual) Group Annuities</u>	<u>Life Insurance Accident &amp; Health</u>	<u>Annuities Fraternal</u>	<u>Group Other Lines of Business</u>	<u>Credit (Group and Individual)</u>	<u>Other</u>	<u>Aggregate of All Other Lines of Business</u>	<u>Fraternal (Fraternal Benefit Societies Only)</u>	



# Life/Fraternal Statement

## Five-Year Historical Data

Adds reporting to match the LOBs reported on the Analysis of Operations by Line of Business

**Note:** PY columns are not XXX'd out

**FORV/S**

Net Gains From Operations After Dividends to Policyholders, Refunds to Members and Federal Income Taxes and Before Realized Capital Gains or (Losses) by Lines of Business (Page 6.x, Line 33)		
72.	Individual industrial life (Page 6.1, Col. 2)	
73.	Individual whole life (Page 6.1, Col. 3)	
74.	Individual term life (Page 6.1, Col. 4)	
75.	Individual indexed life (Page 6.1, Col. 5)	
76.	Individual universal life (Page 6.1, Col. 6)	
77.	Individual universal life with secondary guarantees (Page 6.1, Col. 7)	
78.	Individual variable life (Page 6.1, Col. 8)	
79.	Individual variable universal life (Page 6.1, Col. 9)	
80.	Individual credit life (Page 6.1, Col. 10)	
81.	Individual other life (Page 6.1, Col. 11)	
82.	Individual YRT mortality risk only (Page 6.1, Col. 12)	
83.	Group whole life (Page 6.2, Col. 2)	
84.	Group term life (Page 6.2, Col. 3)	
85.	Group universal life (Page 6.2, Col. 4)	
86.	Group variable life (Page 6.2, Col. 5)	
87.	Group variable universal life (Page 6.2, Col. 6)	
88.	Group credit life (Page 6.2, Col. 7)	
89.	Group other life (Page 6.2, Col. 8)	
90.	Group YRT mortality risk only (Page 6.2, Col. 9)	
73.	Ordinary life (Page 6.1, Col. 1 less Cols. 2, 10 and 12)	
7491.	Ordinary individual deferred fixed annuities (Page 6.3, Col. 4)	
92.	Individual deferred indexed annuities (Page 6.3, Col. 3)	
93.	Individual deferred variable annuities with guarantees (Page 6.3, Col. 4)	
94.	Individual deferred variable annuities without guarantees (Page 6.3, Col. 5)	
95.	Individual life contingent payout (Immediate and Annuitization) (Page 6.3, Col. 6)	
96.	Individual other annuities (Page 6.3, Col. 7)	
75.	Ordinary supplementary contracts	XXX
76.	Credit life (Page 6.1, Col. 10 plus Page 6.2, Col. 7)	
77.	Group life (Page 6.2, Col. 1 less Cols. 7 and 9)	
7897.	Group deferred fixed annuities (Page 6.4, Col. 5)	
98.	Group deferred indexed annuities (Page 6.4, Col. 3)	
99.	Group deferred variable annuities with guarantees (Page 6.4, Col. 4)	
100.	Group deferred variable annuities without guarantees (Page 6.4, Col. 5)	
101.	Group life contingent payout (Immediate and Annuitization) (Page 6.4, Col. 6)	
102.	Group other annuities (Page 6.4, Col. 7)	
103.	A & H-comprehensive individual (Page 6.5, Col. 2)	
104.	A & H-comprehensive group (Page 6.5, Col. 3)	
105.	A & H-Medicare supplement (Page 6.5, Col. 4)	
106.	A & H-vision only (Page 6.5, Col. 5)	
107.	A & H-dental only (Page 6.5, Col. 6)	
108.	A & H-federal employees health benefits plan (Page 6.5, Col. 7)	
109.	A & H-Title XVIII Medicare (Page 6.5, Col. 8)	
110.	A & H-Title XIX Medicaid (Page 6.5, Col. 9)	
111.	A & H-credit (Page 6.5, Col. 10)	
112.	A & H-disability income (Page 6.5, Col. 11)	
113.	A & H-long-term care (Page 6.5, Col. 12)	
114.	A & H-other (Page 6.5, Col. 1 less Cols. 3 and 10)	
115.	Aggregate of all other lines of business (Page 6, Col. 8)	
116.	Fraternal (Page 6, Col. 7)	
117.	Total (Page 6, Col. 1)	

# Life/Fraternal Statement

- Interest Maintenance Reserve (IMR)/Asset Valuation Reserve (AVR)
  - Removed references to bond mutual funds from instructions
  - Replaces with references to SVO Bond Identified ETF list and SVO Preferred Stock ETF list
    - Bond ETFs treated as bonds; preferred stock ETFs treated as preferred stock
    - If ETF removed from either list, treated as common stock
  - Clarifies that common stock includes mutual funds, unit investment trusts, closed-end funds, ETFs not on above lists
    - Excludes money market mutual funds correctly reported on Schedule E – Part 2

# Life/Fraternal Statement

- State Page
  - All new format
    - 2 pages – landscaped
    - Modified to include LOBs detailed in the Analysis of Operations
    - Companies may choose to implement some items over two years
      - Instructions detail what can be deferred until 2024
- Also affects reporting in the Life supplement of the Health statement

# Life/Fraternal Statement

- State Page
  - Five main reporting groups
    - Individual life
    - Group life
    - Individual annuities
    - Group annuities
    - Accident and Health
  - Each main group further subdivided

# Life/Fraternal Statement

- State Page
  - For 2023, may choose to report Cols 14-21 and 23-28 in the aggregate on the “Other” line for each group
  - All columns detailed reporting required for 2024

<u>LIFE OF BUSINESS</u>	
<u>Individual Life</u>	
1. Industrial .....	..
2. Whole .....	..
3. Term .....	..
4. Indexed .....	..
5. Universal .....	..
6. Universal with Secondary Guarantees .....	..
7. Variable .....	..
8. Variable Universal .....	..
9. Credit .....	..
10. Other .....	..
11. Total Individual Life	
<u>Group Life</u>	
12. Whole .....	..
13. Term .....	..
14. Universal .....	..
15. Variable .....	..
16. Variable Universal .....	..
17. Credit .....	..
18. Other .....	..
19. Total Group Life	

# Life/Fraternal Statement

- Addition of Health Analysis of Operations by Lines of Business as a health supplement to the L/F annual statement

1	Comprehensive (Hospital & Medical)		4	5	6	7	8	9	10	11	12	13	14
Total	2	3	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Credit A&H	Disability Income	Long-Term Care	Other Health	Other Non- Health
	Individual	Group											
.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....

# Life/Fraternal Statement

- Health Supplement
  - Combines current Health Care Receivables Supplement with the **newly added** Health Analysis of Operations Supplement into one supplement
  - Renamed Health Supplements
    - Cover page
    - Analysis of Operations by Lines of Business
    - Exhibit 3- Health Care Receivables
    - Exhibit 3A – Analysis of Health Care Receivables Collected and Accrued

# Health Statement

- Analysis of Operations to reflect same LOBs as the Life/Fraternal Health Analysis Of Operations

1	Comprehensive (Hospital & Medical)		4	5	6	7	8	9	10	11	12	13	14
Total	Individual	Group	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Credit A&H	Disability Income	Long-Term Care	Other Health	Other Non- Health
-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----

- Changing of columnar order for Vision and Dental LOBS to be consistent on all pages



# Where Do I Find Statement Adoptions

On the Blanks Working Group webpage

[https://content.naic.org/cmte\\_e\\_app\\_blanks\\_related\\_adopted\\_molds.htm](https://content.naic.org/cmte_e_app_blanks_related_adopted_molds.htm)

Guidance documents for reporting

[https://content.naic.org/cmte\\_e\\_app\\_blanks.htm](https://content.naic.org/cmte_e_app_blanks.htm) , “Documents” tab, scroll down to “Filing Issues and Additional Guidance”

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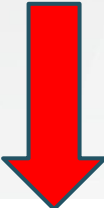
## Risk-Based Capital (RBC)



# All RBC Formulas

- New uniform instructions and reporting format for affiliates
  - Promotes consistent reporting between insurer-types
  - Review carefully; changes on multiple pages

For example:



**DETAILS FOR AFFILIATED STOCKS**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Name of Affiliate	Affil Type Code	NAIC Company Code or Alien ID Number	Affiliate's RBC after Covariance Before Basic Operational Risk XR025 Line (37) PR032 Line (67) LR031 Line (67) + (71)	Book/Adjusted Carrying Value (statement value) of Affiliate's Common Stock	Valuation Basis of Col (5) M - Market Value after any "discount" A - All Other	Total Value of Affiliate's Outstanding Common Stock	Total Statutory Surplus of Affiliate Subject to RBC (Adjusted for % Owned)	Book/Adjusted Carrying Value (statement value) of Affiliate's Preferred Stock	Total Value of Affiliate's Outstanding Preferred Stock	Percent Owned (Cols 5 + 9) / (Cols 7 + 10)	RBC Required (H0 Component)	Market Value Excess Component Affiliated Common Stock RBC Required (H1 Component)
(01)										100.000%		
(02)										100.000%		
(03)										100.000%		



# All RBC Formulas

- Health section
  - Investment income adjustment to health underwriting risk factors
  - Health stop loss as a line of business **NOT** to be included as “Comprehensive” or “Other Health Coverage” in Health Underwriting Risk (XR013 in HRBC), but is addressed separately (XR015 in HRBC)
    - Reported on a net basis



# All RBC Formulas – Health Section

- Health stop loss as a line of business

**NO**

**UNDERWRITING RISK**

**Experience Fluctuation Risk**

		(1)	(2)	(3)	(4)	(5)	(6)
	Line of Business	Comprehensive Medical	Medicare Supplement	Dental & Vision	Stand-Alone Medicare Part D Coverage	Other Health	Other Non-Health
(1)	† Premium						
(2)	† Title XVIII-Medicare		XXX	XXX	XXX	XXX	XXX

	<u>Annual Statement Source</u>
<b>Other Underwriting Risk</b>	
(22) Business with Rate Guarantees Between 15-36 Months - Direct Premium Earned	Gen Int Part 2 Line 9.21
(23) Business with Rate Guarantees Over 36 Months - Direct Premium Earned	Gen Int Part 2 Line 9.22
(24) FEHBP and TRICARE Claims Incurred	UI, Part 2, <b>Column 7</b> , Line 12.4
(25) Stop Loss and Minimum Premium	Company Records
(25.1) Supplemental Benefits within Stand-Alone Medicare Part D Coverage (Claims Incurred)	Company Records
(25.2) Medicaid Pass-Through Payments Reported as Premiums	XR013, Column (1), Line (5)
(25.3) Total Other Underwriting Risk	Sum of Lines (22) through (25.2)

# Multiple RBC Formulas

- Life/Fraternal & Property/Casualty
  - Revised health a/s references because of format changes to Schedule H – Part 1

# Life/Fraternal RBC

- New factors for non-performing commercial and farm mortgages
  - CM6 mortgages 11% (previously 15%)
  - CM7 mortgages 13% (previously 23%)
  - Impact – lower RBC requirement for both

# Life/Fraternal RBC

- Mortgage formula (both from Sch B and Sch BA)
  - Now same formula for calculating RBC amounts for non-performing and performing residential, commercial, and farm mortgages
    - Impact – non-performing RBC will increase; RBC for non-performing will decrease
  - Elimination of worksheet A for mortgages other than in good standing
  - All commercial and farm mortgages now use same worksheet regardless of status



# Life/Fraternal RBC

- New reporting line on LR008 for residual tranches reported within Schedule BA
  - 30% factor for 2023; might go to 45% in 2024

<u>Schedule BA - All Other</u>	
(48.1) BA Affiliated Common Stock - Life with AVR	AVR Equity Component Column 1 Line 67
(48.2) BA Affiliated Common Stock - Certain Other	AVR Equity Component Column 1 Line 68
(48.3) Total Schedule BA Affiliated Common Stock - C-1o	Line (48.1) + (48.2)
(49.1) BA Affiliated Common Stock - All Other	AVR Equity Component Column 1 Line 69
(49.2) Total Sch. BA Affiliated Common Stock - C-1cs	Line (49.1) <del>← AVR Equity Component Column 1 Line 93</del>
(50) Schedule BA Collateral Loans	Schedule BA Part 1 Column 12 Line 2999999 + Line 3099999
<b>(51) Total Residual Tranches or Interests</b>	<b>AVR Equity Component Column 1 Line 93</b>
(52.1) NAIC 01 Working Capital Finance Notes	AVR Equity Component Column 1 Line 94

- New sensitivity test for residual tranches
  - 15% factor

# Life/Fraternal RBC

- New C-2 Mortality Risk reporting format
- Removal of dual trend test
  - Dual existed until all states adopted 300% threshold
    - Transition now complete

# Property/Casualty RBC

- Modification of LOB categories on PR035 to match annual statement *U&I – Part 1B*
- Instructional revision on obtaining permission to use company's own catastrophe model

# Property/Casualty RBC

- Annual update to Underwriting Risk, Line 1 factors

PR017		Proposed for adoption - 2023 Industry Average Development Ratio	2022 Industry Average Development
Schedule P Line of Business	LOB		
H/F	A	0.999	1.001
PPA	B	1.047	1.022
CA	C	1.106	1.082
WC	D	0.873	0.906
CMP	E	1.026	1.037
MM Occurrence	F1	0.906	0.887
MM Clms Made	F2	0.984	0.983
SL	G	0.994	0.990
OL	H	0.969	0.995
Fidelity / Surety	K	0.852	0.842
Special Property	I	0.983	0.993
Auto Physical Damage	J	1.016	1.011
Other (Credit, A&H)	L	0.946	0.955
Financial / Mortgage Guaranty	S	0.674	0.694
Intl	M	2.414	3.041
Rein. Property & Financial Lines	NP	0.924	0.917
Rein. Liability	O	1.024	1.008
PL	R	0.874	0.867
Warranty	T	0.995	0.998

PR018		Proposed 2023 Industry Average Loss & Expense	2022 Industry Average Loss & Expense Ratio
Schedule P Line of Business	LOB		
H/F	A	0.679	0.665
PPA	B	0.791	0.793
CA	C	0.777	0.761
WC	D	0.651	0.664
CMP	E	0.671	0.661
MM Occurrence	F1	0.767	0.750
MM Clms Made	F2	0.815	0.829
SL	G	0.578	0.585
OL	H	0.641	0.637
Fidelity / Surety	K	0.363	0.366
Special Property	I	0.550	0.547
Auto Physical Damage	J	0.727	0.718
Other (Credit, A&H)	L	0.702	0.698
Financial / Mortgage Guaranty	S	0.209	0.203
Intl	M	1.136	1.166
Rein. Property & Financial Lines	NP	0.578	0.566
Rein. Liability	O	0.743	0.725
PL	R	0.597	0.601
Warranty	T	0.652	0.665

# Health RBC

- Updates reporting and statement references to align with the LOBs to the changes in the Analysis of Operations by Line of Business
  - No format change
- Renumber lines on page XR008
  - No factor or formula changes

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## Statutory Accounting



# SAPWG Adoptions

- *INT 20-01: Reference Rate Reforms*
  - Transition guidance away from LIBOR and other IBORs
  - Expiration date extended to December 21, 2024
- *SSAP No. 25 – Affiliates and Other Related Parties*
  - Any invested asset held by reporting entity which is issued by an affiliated entity or includes the obligations of an affiliated entity is an affiliated investment

# SAPWG Adoptions

- Adoption of principles-based definition of bonds *to SSAP Nos. 21R, 26R, 43R, and various other SSAPs*
  - Effective 1/1/2025
  - More work being done on *SSAP No. 21R* regarding debt securities not meeting the definition of bonds and to be reported on Schedule BA
- *SSAP Nos. 92 – Postretirement Benefits Other Than Pensions and 102 - Pensions*
  - Removal of transition guidance, as 10-year transition period has ended



# SAPWG Exposures

- *INT 03-02: Modification to an Existing Intercompany Pooling Arrangements*
  - Proposal is to nullify at December 31, 2023
  - Conflicts between *INT 03-02* and *SSAP No. 25* for valuation basis for assets and liabilities transferred among affiliates for new reinsurance agreements that substantively modify and existing intercompany pooling arrangement
  - What is appropriate valuation basis to be used for assets and liabilities transferred amount affiliates in conjunction with a new reinsurance agreement that serves to substantially modify an existing intercompany pooling arrangement?
    - INT indicates book value (amortized cost) for assets; SSAP No. 25 indicates fair value
  - Update from NAIC National Meeting

# SAPWG **Exposures**

- *INT 23-04T: Life Reinsurance Liquidation Questions*
  - Comment period ends November 15
  - How ceding companies should account for and report receivable amounts when a life reinsurer is in liquidation
  - Update from NAIC National Meeting

# SAPWG Exposures

- Restriction of cash equivalents & short-term investments under *SSAP No. 2R – Cash, Cash Equivalents, Drafts, and Short-Term Investments*
  - Only money market mutual funds, cash pooling, and issuer credit obligation covered in *SSAP No. 26R* and meeting maturity date requirements
  - Would be effective January 1, 2025
  - Update from NAIC National Meeting

# SAPWG Exposures

- *SSAP No. 7 – Asset Valuation Reserve (AVR) and Interest Maintenance Reserve (IMR)*
  - Proposes long-term project to incorporate AVR and IMR accounting guidance into SSAP
    - Instructions that exist are found in *Annual Statement Instructions*
      - Some disconnect between current instructions and SSAPs
    - Addition of AVR financial crosschecks
  - Reassessment of AVR and IMR will most likely happen during this process
  - Update from NAIC National Meeting

# SAPWG Exposures

- IMR/AVR annual statement instructions
  - Remove guidance permitting specific allocation of non-interest related losses to IMR
    - Focuses on the absolutes that are currently reflected in instructions for determining if a loss is an IMR-related loss or an AVR-related loss
  - Update from NAIC National Meeting

# SAPWG Exposures

- *SSAP No. 21R – Other Admitted Assets*
  - Guidance for debt securities that do not qualify as bonds under new definition
    - Reported on Schedule BA
      - Reporting categories being developed
    - If primary source of repayment through underlying collateral AND collateral qualifies as an admitted asset, security can be admitted
      - Also applies to residual tranches and first loss positions from same securitization
  - Effective 1/1/2025
  - Direct result of SAPWG bond definition project
  - Update from NAIC National Meeting

# SAPWG Exposures

- *SSAP No. 30R – Unaffiliated Common Stock & SSAP No. 32R – Preferred Stock*
  - Recently released for comment via email – comment deadline Nov 17
  - Revisions clarify that investments in the form of common stock and/or preferred stock that are in-substance residual interests or a residual security tranche to be reported as residuals in Schedule BA
  - Update from NAIC National Meeting

# SAPWG Exposures

- *SSAP No. 48 – Joint Ventures, Partnerships and Limited Liability Companies*
  - Further defines investments captured as non-registered private funds, joint ventures, partnerships or limited liability companies, or residual interests reported based on the underlying characteristics of the asset
  - Corresponding Blanks proposal
  - Update from NAIC National Meeting



# SAPWG Exposures

- *SSAP No. 54R – Individual and Group Accident and Health Contracts*
  - Clarification that A&H individual and group gross premium valuation and cash flow testing are both required, if indicated
  - Update from NAIC National Meeting
- *SSAP Nos. 93 – Low-income Housing Tax Credit Property Investments and 94R – Transferable and Non-Transferable State Tax Credits*
  - New market tax credits
  - Uniformity in accounting and reporting for equity and debt investments where the return is earned primarily through tax credits
  - Update from NAIC National Meeting

# SAPWG Still Deferred Projects

- *SSAP No. 42R – Surplus Notes*
  - Referral for Reinsurance Task Force
- *SSAP No. 68 – Business Combinations and Goodwill*
  - *ASU 2014-17; Business Combinations, Pushdown Accounting*
- *SSAP No. 68 & No. 97 – Investments in Subsidiary, Controlled, and Affiliated Entities*
  - Attribution of goodwill
- *SSAP No. 62R - Property and Casualty Reinsurance*
  - Retroactive reinsurance exception

# Valuation of Securities Task Force (SVO & SSG)

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# VOSTF

- Adopted amendments to *Purposes and Procedures Manual (Manual) of the NAIC's Investment Analysis Office*
  - Clean-up work on 5GI references
  - Addition of collateralized loan obligations (CLOs) to modeling process
  - Clarify meaning of repurchase agreement in derivative transactions

# VOSTF

- Projects still underway
  - SVO crafting one definition of NAIC Designation and locating in one section of *P&P Manual*
  - SVO authority to override FE NAIC Designations
  - Changing of SVO fee structure
- Financial Conditions (E) Committee suggesting modernization of SVO role and restructuring of the VOSTF

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## Other NAIC Topics



# Financial Conditions (E) Committee

- Released *Framework for Regulation of Insurer Investments – A Holistic Review* for comment period through October 2
  - Appears to support SVO overriding FE securities' NAIC designations, but not necessarily on a micro level and should be rarely used
  - Contains “concrete proposals” for modernization of the role of the SVO
  - “High-level guidelines” for considering consistency of capital across assets while recognition limitations of absolute capital parity

# Financial Regulation Standards & Accreditation (F) Committee

- Adopted 2020 revisions to the *Insurance Holding Company System Regulatory Act (#440)* and the *Insurance Holding Company system Model Regulation with Reporting Forms and Instructions (#445)* as significant elements of Part A accreditations standards
  - Revised standard effective January 1, 2026
  - Makes Group Capital Calculation (GCC) and Liquidity Stress Test (LST) for life insurers a requirement for all states to maintain accreditation



# Affiliated Service Agreements

- Risk-Focused Surveillance Working Group
  - Drafted and adopted proposed changes to the *Financial Analysis Handbook* and *Financial Condition Examiners Handbook*
  - Provides additional guidance for regulators when reviewing service agreements between insurers and their affiliates
  - In particular, cost-plus reimbursement contracts with affiliates or significant reliance on affiliates to provide services
    - Documentation to support cost-plus

# Investment Management Agreements

- Risk-Focused Surveillance Working Group
  - Next project for group's action
  - Arm's length transaction? Especially for affiliated
  - Conflicts of interest? Including amount and types of fees paid, termination provisions, degree of discretion or control of the investment manager
  - How much authority given investment manager?
  - To develop language and then refer for inclusion in *Financial Analysis Handbook* and *Financial Condition Examiners Handbook*

# Questions?

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# Thank you

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## Principles-Based Bond Definition & Admission of Negative IMR

▪ Connie Jasper Woodroof / December 6, 2023

# Agenda

- Principles-Based Bond Definition Project
- Admission of Negative IMR



# Principles-Based Bond Definition (Bond Project)

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# Bond Project

- Why?
  - Increase scrutiny regarding collateralized fund obligations (CFOs) investment where private equity funds or hedge funds are securitized
  - Prevent equity backed structures from being “re-packaged” as bonds and reported on Schedule D



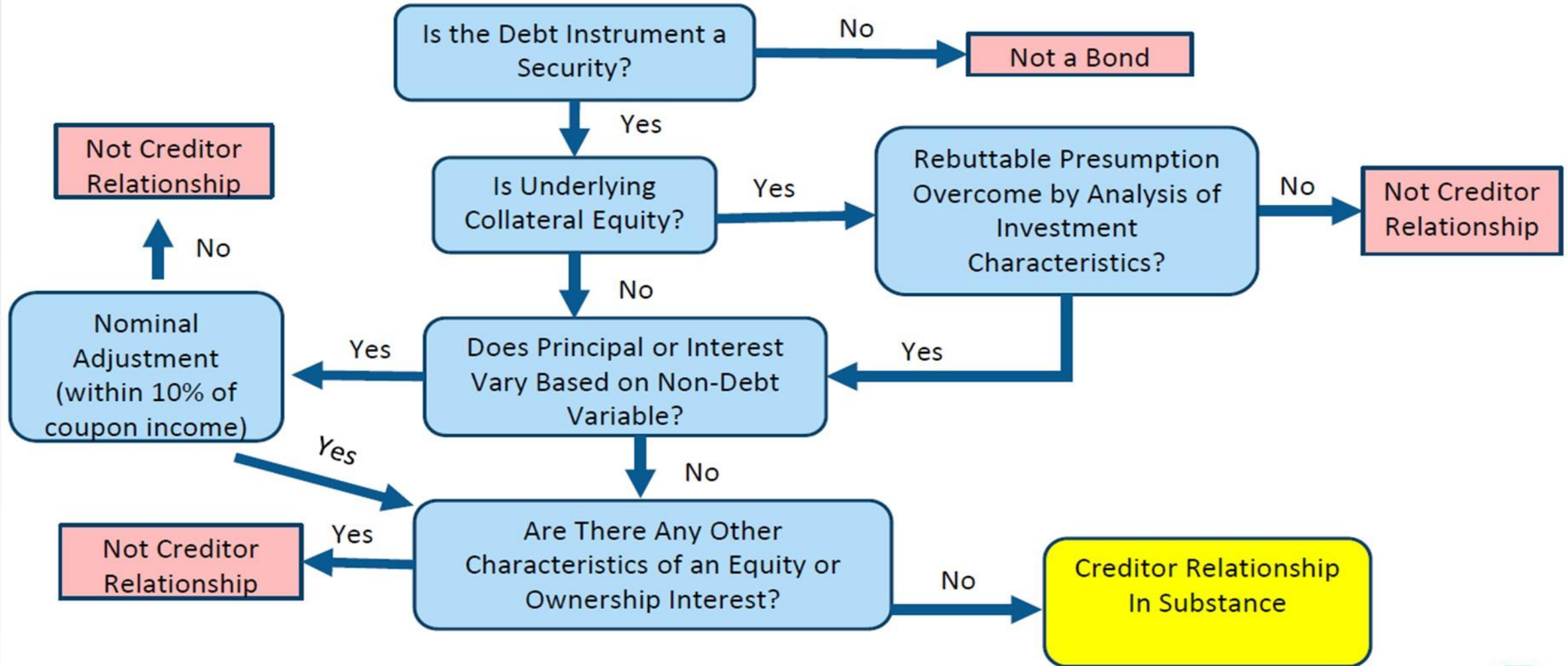
# Bond Definition Status

- Adopted GAAP definition of a security as used in *FASB ASC Topics 320 & 860*
  - Evaluation considers substance of investment rather than legal form
- Revisions to many SSAPs (some major, some minor)
  - Definition adopted into *SSAP Nos. 26R, 43R, 21R* and more
    - **Effective 1/1/2025**
    - *SSAP No. 43R* renamed *Asset –Backed Securities*
- **All** asset-backed bonds (ABS) will fall under *SSAP No. 43R*
  - ABS will be **classified as long-term only**; not short-term or cash equivalents

# What is a bond?

- Focus on structure not naming convention
- Must represent a creditor relationship in *substance*, not just legal form
- Investments with equity-like characteristics or that represent ownership interest in substance are not bonds
- Requires bond-like cash flows (fixed payment schedule)

# Is there a creditor relationship ?



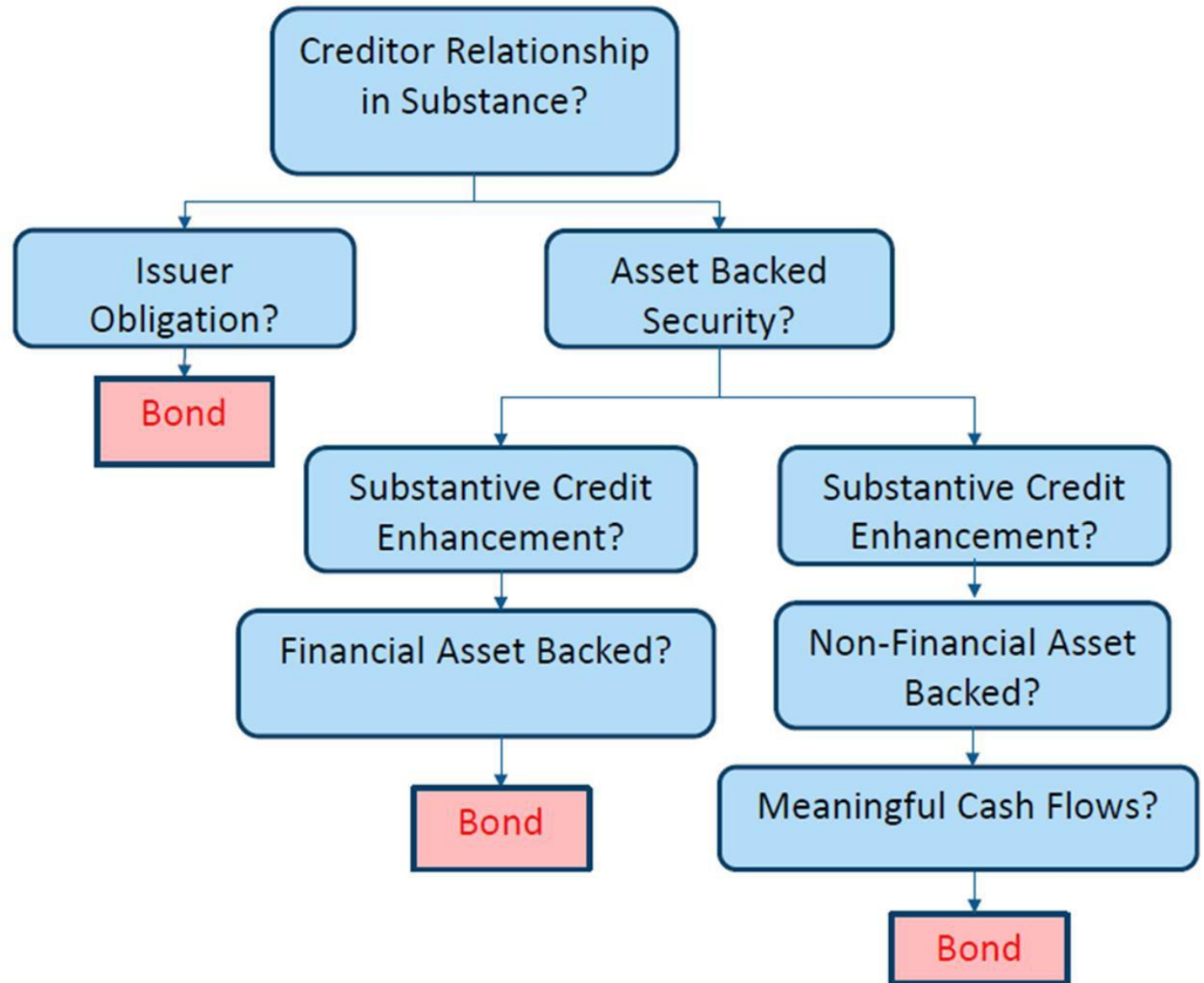
# Issuer Obligation or Asset Backed ?

- Once it is determined that a creditor relationship exists, must determine structure
  - Issuer Obligation (IO)
    - Repayment primarily supported by credit worthiness; a promise to pay
    - Support obligation consists of direct or indirect recourse to operating entity(ies)

# Issuer Obligation or Asset Backed ?

- Once it is determined that a creditor relationship exists, must determine structure
  - Asset-Backed Security (ABS)
    - Main purpose is raising debt capital backed by collateral that provides cash flows to service debt
    - Commonly used by SPVs
  - Debt instrument lacking meaningful cashflows and/or substantive credit enhancement
- Some bonds may have characteristics of both IO and ABS

# Issuer Obligation or Asset Backed?



# Substantive Credit Enhancement

- Holder must be in different economic position than if owned collateral directly
- Substantive credit enhancement includes
  - Overcollateralization/subordination
  - Guarantee of recourse
- Level of subordination that is expected to absorb losses before the debt instrument would be expected to absorb losses
- Specific to each transaction, determined at origination
- Equal to what a market participant would conclude is substantive

# Meaningful Cash Flows

- Determining whether or not cash flows are meaningful specific to each transaction and determined at origination
  - **Rebuttable presumption** that reliance on equity cash flows is not a bond
    - Presumption may be overcome through analysis supporting predictability of cash flows
      - Allows for CFOs (collateralized fund obligations) that have appropriate structuring and collateral characteristics to be reported as bonds IF supported by analysis



# Meaningful Cash Flows

- ABS backed by non-financial assets
  - Non-financial assets expected to generate meaningful cash flows to service debt
    - Not through sale or refinancing of assets
      - However, cash flows from sale or refinancing does not preclude from being classified as ABS if the meaningful cash flow requirement met
    - Production of fixed income-like cash flows
      - Total reliance on residual value of non-cash producing is not considered bond risk

# Meaningful Cash Flows

- Practical expedient vs. full analysis
  - If  $< 50\%$  of original principal relies on sale or refinancing, automatically meets meaningful criteria
  - If  $> 50\%$  of original principal relies on sale or refinancing must do full analysis to determine if meaningful criteria met

# Debt Security, But Not a Bond?

- Debt securities that do not qualify as bonds fall under *SSAP No. 21R*
  - Classified as securities with a fixed schedule for one or more future payments
    - Do not reflect creditor relationship
    - Lack substantive credit enhancement
    - Lack meaningful cash flows
  - Follow *SSAP No. 43R* for amortized cost, OTTI and AVR/IMR provisions
  - If repayment source is underlying collateral, collateral must qualify as an admitted asset for the debt security to be an admitted asset
  - Report in Schedule BA
    - New reporting categories being developed

# Reclassifying Between Schedules D & BA

- Occurs at amortized cost with NO gain/loss
  - If valued at fair value on Schedule D, reverse unrealized loss
    - This brings the security back to amortized cost
  - Dispose from Schedule D at amortized cost (no gain/loss)
  - Record as acquisition on Schedule BA at amortized cost
  - Recognize unrealized loss for security measured at fair value
  - Should result in same measurement value (fair value) prior to conversion

# Schedule D – Part 1 Revisions

- Section 1
  - Issuer Credit Obligations (under scope of revised *SSAP No. 26R*)
  - New bond reporting classifications
- Section 2
  - Asset-Backed Securities (under scope of revised *SSAP No. 43R*)
- Different columns between the two, especially electronic-only columns

# New Bond Reporting Categories

- Must have systems in place for 1<sup>st</sup> quarter 2025 reporting
- Even though Schedule D – Part 1 & Schedule BA – Part 1 not in quarterly, **MUST** have reclassification done for Assets Page reporting of Bonds and Other Invested Assets
- New reporting categories used in quarterly on:
  - Assets Page
  - Schedule BA – Parts 2 & 3
  - Schedule D – Parts 3 & 4
  - Schedule DL – Parts 1 & 2
  - Schedule E – Part 2

# Schedule D – Part 1 – Section 1 - Issuer Obligations

- Where appropriate, subdivided by affiliated and unaffiliated

U.S. Government Obligations (Exempt from RBC)  
Other U.S. Government Obligations (Not Exempt from RBC)  
Non-U.S. Sovereign Jurisdiction Securities  
Municipal Bonds – General Obligations (Direct & Guaranteed)  
Municipal Bonds – Special Revenue  
Project Finance Bonds Issued by Operating Entities (Unaffiliated, Affiliated)  
Corporate Bonds (Unaffiliated, Affiliated)  
Mandatory Convertible Bonds (Unaffiliated, Affiliated)  
Single Entity Backed Obligations (Unaffiliated, Affiliated)  
SVO-Identified Bond Exchange Traded Funds – Fair Value  
SVO-Identified Bond Exchange Traded Funds – Systematic Value  
Bonds Issued from SEC-Registered Business Development Corps, Closed End Funds & REITS (Unaffiliated, Affiliated)  
Bank Loans – Issued (Unaffiliated, Affiliated)  
Bank Loans – Acquired (Unaffiliated, Affiliated)  
Mortgage Loans that Qualify as SVO-Identified Credit Tenant Loans (Unaffiliated, Affiliated)  
Certificates of Deposit (Unaffiliated, Affiliated)  
Other Issuer Credit Obligations (Unaffiliated, Affiliated)

# Schedule D – Pt 1 – Sec 2 – Asset-Backed Securities

- Where appropriate, subdivided by affiliated and unaffiliated

## **Financial Asset-Backed Securities – Self-Liquidating**

Agency Residential Mortgage-Backed Securities – Guaranteed (Exempt from RBC)

Agency Commercial Mortgage-Backed Securities – Guaranteed (Exempt from RBC)

Agency Residential Mortgage-Backed Securities – Not/Partially Guaranteed (Not Exempt from RBC)

Agency Commercial Mortgage-Backed Securities – Not/Partially Guaranteed (Not Exempt from RBC)

Non-Agency Residential Mortgage-Backed Securities (Unaffiliated, Affiliated))

Non-Agency Commercial Mortgage-Backed Securities (Unaffiliated, Affiliated)

Non-Agency – CLOs/CBOs/CDOs (Unaffiliated, Affiliated)

Other Financial Asset-Backed Securities – Self-Liquidating (Unaffiliated, Affiliated)

## **Financial Asset-Backed Securities – Not Self-Liquidating**

Equity Backed Securities (Unaffiliated, Affiliated))

Other Financial Asset-Backed Securities – Not Self-Liquidating (Unaffiliated, Affiliated))

## **Non-Financial Asset-Backed Securities – Practical Expedient**

Lease-Backed Securities – Practical Expedient (Unaffiliated, Affiliated))

Other Non-Financial Asset-Backed Securities – Practical Expedient (Unaffiliated, Affiliated)

## **Non-Financial Asset-Backed Securities – Full Analysis**

Lease-Backed Securities – Full Analysis (Unaffiliated, Affiliated))

Other Non-Financial Asset-Backed Securities – Full Analysis (Unaffiliated, Affiliated)



# Risk-Based Capital Affects

- Currently no factor changes for items remaining on Schedule D, Schedule DA, Schedule DL, and Schedule E
  - Factor still assigned by NAIC designation and category
- Investments transferred to Schedule BA
  - Property/Casualty and Health RBC
    - Would currently fall under Schedule BA assets receiving 20% factor
  - Life/Fraternal RBC
    - Residual tranches or interest – 30%
    - Many BA assets can use a ‘look-through’ for the factor, however the new reporting categories have not yet gone through that determination

# Admission of Negative IMR

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# Admitted Negative IMR

- *INT 23-01: Net Negative (Disallowed) Interest Maintenance Reserve (IMR)*
  - Limited-time, optional, admission of negative IMR
  - Effective beginning with 3<sup>rd</sup> quarter 2023 reporting through December 31, 2025
    - Guidance document posted on BWG website
  - Allows admitted negative IMR **with certain limitations**
    - Authorized control level RBC ratio >300% after removing admitted positive goodwill, EDP equipment and operating software, DTAs, and admitted IMR from surplus
    - Limited to 10% of adjusted general account capital and surplus
  - Special limitations for unrealized gains from derivatives

# Adjusted Surplus

- Surplus adjustments for both RBC measurement and negative IMR admission limitations

	capital & Surplus from page 3, general account	
less	admitted positive goodwill	
less	admitted EDP equipment & software	
less	deferred tax assets (DTAs)	
less	<u>admitted negative IMR</u>	
	adjusted capital & surplus	Use for 300% RBC measurement Use for 10% admission limitation

General account capital & surplus includes separate account surplus; therefore, aggregation of general and separate account surplus not necessary.

# Admitted Negative IMR

- Admission applied first to net negative IMR in the general account until reaches 10% limitation; then nonadmit remaining balance
- If still remaining amount, net negative IMR, can report net negative IMR as asset in the separate accounts, appropriated between insulated and non-insulated separate accounts until limitation reached

# Reporting of Admitted Negative IMR

Reported on general account assets page as aggregate write-in for other-than-invested assets; entitled “Admitted Disallowed IMR”

24.	Health care (\$.....) and other amounts receivable.....
25.	Aggregate write-ins for other-than-invested assets.....
26.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....
27.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....
28.	Total (Lines 26 and 27)
<b>DETAILS OF WRITE-INS</b>	
1101.	.....
1102.	.....
1103.	.....
1198.	Summary of remaining write-ins for Line 11 from overflow page.....
1199.	Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)
2501.	.....
2502.	.....
2503.	.....
2598.	Summary of remaining write-ins for Line 25 from overflow page.....
2599.	Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)

# Reporting of Admitted Negative IMR

- Amount equal to admitted IMR allocated from unassigned funds to an aggregate write-in for special surplus fund in general account named “Admitted Disallowed IMR”

24. Health care (\$.....) and other amounts receivable.....  
25. Aggregate write-ins for other than invested assets.....  
26. Total assets excluding Separate Accounts, Segregated Accounts, Protected Cell Accounts (Lines 12 to 25).....

33. Gross paid in and contributed surplus (Page 3, Line 33, Col. 2 plus Page 4, Line 51.1, Col. 1).....  
34. Aggregate write-ins for special surplus funds.....  
35. Unassigned funds (surplus).....  
36. Less treasury stock, at cost.  
36.1 shares common (value included in Line 29 \$.....)  
36.2 shares preferred (value included in Line 30 \$.....)  
37. Surplus (Total Lines 31 + 32 + 33 + 34 + 35 - 36) (including \$..... in Separate Accounts Statement).....

# Reporting of Admitted Negative IMR

- If “admitted” amount reported in separate accounts, aggregate write-in to miscellaneous other-than-invested assets, and name “Recognized Disallowed IMR” on asset page
- Equal amount adjusted from unassigned funds and reported as an aggregate write-in for special surplus funds



# Note #5 Disclosure

- Note disclosure for Note #5 (investments) required and not data captured for 2023; both in quarterly and annual statements
  - Net negative (disallowed) IMR in aggregate allocated between general account, insulated separate accounts & non-insulated separate accounts – amounts before determination of admissibility

(1)	Net negative (disallowed) IMR			
	Total	General Account	Insulated Separate Account	Non-Insulated Separate Account
	\$ .....	\$ .....	\$ .....	\$ .....

# Note #5 Disclosure

- Negative IMR admitted in general account and reported as an asset in insulated and non-insulated separate account

(2) Negative (disallowed) IMR admitted

Total	General Account	Insulated Separate Account	Non-Insulated Separate Account
\$ .....	\$ .....	\$ .....	\$ .....

# Note #5 Disclosure

- Calculated adjusted capital – general account only

(3) Calculated adjusted capital and surplus

	Total
Prior Period General Account Capital & Surplus	\$ .....
From Prior Period SAP Financials	
Net Positive Goodwill (admitted)	\$ .....
EDP Equipment & Operating System Software ( <u>admitted</u> )	\$ .....
Net DTAs (admitted)	\$ .....
Net Negative (disallowed) IMR (admitted)	\$ .....
Adjusted Capital & Surplus	\$ .....

# Note #5 Disclosure

- Percentage of admitted negative IMR to adjusted capital and surplus

(4)	Percentage of adjusted capital and surplus	
		Total
	Percentage of Total Net Negative (disallowed) IMR admitted in General Account or recognized in <u>Separate</u> Account to adjusted capital and surplus	%

# Note #5 Disclosure

- Allocated gains/losses to IMR from derivatives

(5) Allocated gains/losses to IMR from derivatives	Gains	Losses
Unamortized Fair Value Derivative Gains & Losses Realized to IMR – Prior Period	\$ .....	\$ .....
Fair Value Derivative Gains & Losses Realized to IMR – Added in Current Period	\$ .....	\$ .....
Fair Value Derivative Gains & Losses Amortized Over Current Period	\$ .....	\$ .....
Unamortized Fair Value Derivative Gains & Losses Realized to IMR – Current Period Total	\$ .....	\$ .....

# Note #5 Disclosure

- Include in disclosure attestation that:
  - I. Fixed income investment generating IMR losses comply with company's documented investment & liability management policies
  - II. IMR losses on related derivatives meet with prudent and documented risk management procedures
  - III. Any deviation from I, above, was either because of a temporary and transitory timing issue or related to a specific event
  - IV. Asset sales generating admitted negative IMR not compelled by liquidity pressures

# Risk-Based Capital Effect

- Write-ins for other than invested assets are not subject to an RBC charge
  - No additional RBC requirement for the admitted asset
- Write-in for special surplus funds counts as part of total adjusted capital (TAC)
  - Means an increase in a company's TAC for the admitted IMR amount

# Thank you

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