National Association of Insurance Commissioners & **The Center for Insurance Policy and Research**

TO: Subscribers to the NAIC *Annual Statement Instructions* – Fraternal

FROM: Calvin Ferguson, Senior Insurance Reporting Analyst

DATE: September 1, 2018

RE: 2018 Fraternal Annual Statement Instructions

Enclosed please find a complete set of 2018 annual statement instructions. Revision bars throughout the instruction manual in the left margin identify changes from 2017 instructions.

The current instructions are printed in loose-leaf, three-hole drilled format, and are shipped with tabs. The NAIC will ship a binder to new subscribers. For existing subscribers, please utilize your existing binders, as new binders will not be shipped each year.

Updates to the instructions included in this manual are available on the NAIC website *www.naic.org/cmte_e_app_blanks.htm*. Information regarding updates is also printed on the instructions cover page.

For instructions content questions, please contact me at *cferguson@naic.org*. If you need additional copies or have any questions about your order, please contact an NAIC representative at *prodserv@naic.org*.

AS1 - FUA- 18

Official NAIC
Annual Statement Instructions

Fraternal

For the 2018 reporting year
Printed September 2018

This guidance is adopted by the NAIC as of June 2018. Please note that there can be modifications to the instructions included in this manual from year to year as such guidance is subject to the maintenance process. To address this, the NAIC has a website dedicated to providing the holder of this manual with the latest information impacting quarterly and annual statement instructions.

Website: ***www.naic.org/cmte_e_app_blanks.htm***

National Association of Insurance Commissioners

The NAIC is the authoritative source for insurance industry information. Our expert solutions support the efforts of regulators, insurers and researchers by providing detailed and comprehensive insurance information. The NAIC offers a wide range of publications in the following categories:

Accounting & Reporting
Information about statutory accounting principles and the procedures necessary for filing financial annual statements and conducting risk-based capital calculations.

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Important answers to common questions about auto, home, health and life insurance — as well as buyer's guides on annuities, long-term care insurance and Medicare supplement plans.

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EDITOR'S NOTE:

Some statement pages and items are considered self-explanatory and have no instructions other than what appears on the printed statement blank.

INSTRUCTIONS

For Completing Fraternal Orders Annual Statement Blank

FOREWORD

Line titles and column headings of the various statement items and lines are in general self-explanatory and as such constitute instructions. Specific further instructions are prescribed for items and lines about which there might be some question as to content. Make any entry for which no specific instruction appears in accordance with sound insurance accounting principles and in a manner consistent with related items and lines covered by specific instructions. The *Accounting Practices and Procedures Manual* is one reference for guidance concerning statutory accounting principles.

For U.S. branches of non-U.S. insurers:

> In completing the annual statement blank, report all business done by the U.S. branch in the United States. The difference between the amounts reported on the Assets Page, Line 28, Column 3 and the Liabilities Page, Line 25, Total Liabilities shall be reported on the Liabilities page, Line 29.

The format of the annual statement facilitates data capture. Therefore, do not change the captions for pre-printed items, lines, or columns and do not insert write-ins between pre-printed items, lines or columns (however, these requirements do not apply to the signature lines on the Jurat Page). An entry for which no specific pre-printed line title appears (for example, Deferred Option Income) should be included in the appropriate write-in line for each schedule or applicable page. Include an identifying title with each entry. Report write-in lines in descending order. The statement provides a limited number of lines for write-ins in each applicable section. Do not modify these pre-printed write-in detail schedules. If there is not sufficient room in a write-in detail schedule to accommodate all write-ins to be reported therein, report the write-in detail overflow on pages sequentially numbered beginning with Page 52 (Overflow page), followed by 52.1, 52.2, etc. In such instances, carry the summary of write-in overflow lines from this page to the prescribed line in the write-in detail schedule.

Each overflow write-in section should adhere to the following example:

Page 2

ASSETS
DETAILS OF WRITE-INS AGGREGATED AT LINE 25 FOR OTHER-THAN-INVESTED-ASSETS

2501.	Write-in caption aaaa	$	500,000
2502.	Write-in caption bbbb		350,000
2503.	Write-in caption cccc		250,000
2598.	Summary of remaining write-ins for Line 25 from Overflow page		300,000
2599.	TOTAL (Lines 2501 through 2503 plus 2598) (Page 2, Line 25)	$	1,400,000

Overflow Page
Page 2 – Continuation
Assets
Remainder of Write-ins Aggregated in Line 25

2504.	Write-in caption dddd	$	100,000
2505.	Write-in caption eeee		75,000
2506.	Write-in caption ffff		50,000
2507.	Write-in caption gggg		50,000
2508.	Write-in caption hhhh		20,000
2509.	Write-in caption iiii		5,000
2597.	Summary of remaining write-ins for Line 25 (Lines 2504 through 2596) (Page 2, Line 2598)	$	300,000

More than one detail overflow section may appear on one page. However, the items should remain in page number order. Notwithstanding the prohibition against changing the captions of pre-printed items or columns and against inserting write-ins between pre-printed lines or columns, certain portions of the annual statement may require more lines than are provided. When additional lines are required within any of these statement areas, companies shall continue the sequence of either the pre-printed line number range, or the line number range described in the appropriate instruction area.

When the use of such additional lines requires more room than exists on the pre-printed page, the continuation should be presented on a page, inserted immediately following the pre-printed page, designated as page n.1, n.2, etc. For instance, if Schedule BA, Part 1, Other Long-Term Invested Assets requires more lines, the continuation would be presented on Page E07.1, E07.2, etc. Adequately caption all such additional pages to enable ready identification.

Pre-printed subtotal, total, and grand total lines have specific line numbers assigned. The prescribed subtotal line numbers are set forth in the instructions for the respective annual statement page or part thereof, to which they pertain.

In most instances, the information appearing in the various sections of the statement will be sufficient to meet examination needs. However, each company must maintain adequate records and work papers to support the detail of all accounting transactions, enabling verification of the year-end statement values. Company management should perform a periodic review to determine that these records are accurate, sufficiently detailed, and retained in orderly, safe storage with appropriate retention periods.

INDEX

The annual statement shall contain an alphabetized index on the last page of the hardcopy statement, which references the title and page number of all of the pages that are required to be included in that filing. The NAIC shall maintain, and place on its Website at *www.naic.org/cmte_e_app_blanks.htm*, the alphabetized index for all statement types that is required to be included in the hardcopy of the statement. The above is only required on the March 1 filing, and specifically excludes any supplements.

GENERAL

The annual statement is to be completed in accordance with the *Annual Statement Instructions* and *Accounting Practices and Procedures Manual* except to the extent that state law may differ, or state rules or regulations require differences in reporting. If guidance is not available from those sources, consult the domiciliary state's insurance regulatory authority.

1. Companies are required to file the quarterly statement 45 days after the end of the quarter and the annual statement on or before March 1 for the preceding calendar year, unless otherwise required.

2. The reporting date and the legal name of the company must be plainly written or stamped at the top of all pages, exhibits and schedules (and duplicate schedules) and also upon all inserted schedules and loose sheets. Where permitted, the assumed name can accompany the legal name.

3. It is the responsibility of the company to prepare and utilize the barcodes correctly. See the Appendix within these instructions for use of specific barcodes.

4. Printed statements or copies produced by some duplicating process on the actual blanks required by this Department, will be accepted if:

   a. Bound in covers similar in color to the blanks required by this Department;

   b. Printed or duplicated by a process resulting in permanent black characters on a good grade of paper of light color; and

   c. Such statements and all supporting schedules contain all the information required, with the same headings and footnotes, and are of the same size and arrangement, page for page, column for column, and line for line, as in the blanks required by this Department, unless the company is otherwise instructed.

State insurance departments, other than the state of domicile, must choose to receive certain detailed investment schedules (as listed below) in hardcopy. The state filing instructions will serve as notice regarding the requirements. However, even if the detailed investment schedules are required by a state other than where the reporting entity is domiciled, those detailed pages may be included in a separate bound statement, provided some reference to the fact is included with the regular filing and in the location where those pages would be included.

The following schedules are to be filed in paper copy with the state of domicile only, unless specifically requested by other admitted states. The state filing checklist and instructions will serve as notice regarding the paper filing requirements.

Schedule A
Schedule B
Schedule BA
Schedule D, Parts 1 – 6 (excluding Part 1A)
Schedule DA, Part 1
Schedule DB, Parts A-D
Schedule DL, Parts 1 and 2
Schedule E, Parts 1, 2 and 3
Interest Sensitive Life Insurance Products Report
Long Term Care Experience Reporting Forms
Medicare Supplement Insurance Experience Exhibit
Trusteed Surplus Statement

If the reporting entity is filing with the NAIC, that filing shall be via the Internet only.

Photocopied or faxed pages are not acceptable.

Printing Standards

a. Commercial printers must be furnished with original laser printer output generated at appropriate laser settings to give the highest print quality (no photocopied or faxed pages).

b. No font smaller than 8-point type for the annual statement or 6-point type for the Long-Term Care Experience Reporting Forms 1 through 5 and all investment schedules may be used. Ornate fonts may not be used.

c. Present numbers in non-bold, non-italic type.

d. Numbers must be non-proportionally spaced.

e. The annual and quarterly statements must be printed at 9 lines per inch.

f. Unobtrusive dotted leader lines shall be printed across the page to guide the eye to the reported figures. They should not touch the reported figures.

g. Slashed zeros (∅) shall not be used.

h. The number of detail write-in lines printed in any detail write-in section shall be three (3). Remaining detail write-in lines, if any, shall be reported on the overflow page.

These rules do not apply to pre-printed line captions, column headings, or footnotes.

If a reporting entity utilizes a software package other than the annual statement vendors' package for producing variable line schedules, the reporting entity is responsible for ensuring that such package(s) meet all of the aforementioned printing standards.

All annual and quarterly statements and all filing forms associated with the annual and quarterly statement filings are to be 8 1/2" x 14" unless otherwise specified by state(s).

5. Blank schedules will not be considered properly filed. If no entries are to be made, write "None" or "Nothing" across the schedule in question or complete the appropriate interrogatory of the Supplemental Exhibits and Schedules Interrogatories page of the annual statement blank. If a reporting entity chooses not to file allowable investment schedule detail, the schedule must be stamped, "Details filed with the state of domicile, state of commercial domicile and the NAIC." Companies should account for every page of the annual statement in consecutive page number order. If several consecutive pages are "None", (or in the case of some investment schedules that are not filed in hard copy in all states), the appropriate page numbers with exhibit or schedule headings may be listed on one page. Insert that page in the appropriate location in the annual statement.

6. If additional supporting statements or schedules are added in connection with answering interrogatories or providing information on the financial statement, the additions should be properly keyed to the item being answered.

7. Any items that cannot be readily classified under one of the printed items must be reported with an identifying title (for example, Deferred option income) in the appropriate write-in section for each applicable page, or section thereof. The statement provides a limited number of lines for write-ins, but companies may add as many lines as necessary.

8. The "include" and "exclude" are examples only and are not intended to be all-inclusive.

9. If this report does not contain the information asked for in the blanks or is not prepared in accordance with these instructions, they will not be considered filed.

10. Report all amounts in whole dollars only, except for designated schedules where 000's are omitted. Companies may elect to report the amounts to the nearest dollar or may truncate digits below a dollar. (Examples: $602,543.52 may be reported as $602,544 by rounding or as $602,543 by truncation.) It is expected that the failure of items to add to the summary totals will reflect this treatment.

11. Report all amounts in U.S. dollars only, except for nominal information included in description fields that may be expressed in a foreign currency. Refer to *SSAP No. 23—Foreign Currency Transactions and Translations* for accounting guidance.

12. Effective 01/01/2001, all dates must be reported in the format of MM/DD/YYYY. For investments purchased prior to 01/01/2001 (or where complete dates are not available for activities prior to 01/01/2001), and the company does not have sufficient information to report month or day, 01/01 should be used.

13. The company should not change the page numbers designated in the association blank. If extra pages are needed for other than sections entitled "Details of Write-Ins" use decimals after the page number, like 58.1, 58.2 etc. For example, General Interrogatories, Part 1 – Common Interrogatories 19, 19.1, 19.2, etc. and Part 2 – Fraternal Interrogatories 20, 20.1, 20.2, etc.

    If pages are doubled up, double up the page numbers also. For example, if pages 58, 59 and 60 are shown on the same page, show all three page numbers at the bottom of the page like 58, 59 and 60 or 58–60.

14. While there are instances where the filing of an amended annual statement may be necessary (in which case all related filings including electronic filing are resubmitted), the restatement of prior years' results is generally prohibited. The reporting entity should submit such changes with a new Jurat Page, completed in all respects, along with an amended annual statement.

15. Assets and liabilities should be offset and reported net only when a valid right of setoff exists and if it is not prohibited by specific statements of statutory accounting principles. Refer to *SSAP No. 64—Offsetting and Netting Assets and Liabilities* for accounting guidance concerning the offsetting and netting of assets and liabilities.

16. Unless otherwise specified, report all alphanumeric codes and YES/NO responses to interrogatories, exhibits and schedules in solid capital letters.

17. Except in situations where a merger has occurred, amounts reported for assets, liabilities, surplus, revenues, and expenses for prior years in the current year's annual statement shall be identical to the amounts that were reported in the annual statement of the prior year. However, amounts reported in prior years may need to be adjusted in the current year as a result of the following:

    Changes in accounting principles or practices or changes in the methods of applying accounting principles or practices.

    Changes in accounting estimates as a result of new events or new information.

    Corrections of errors in previously filed information.

    A merger.

    If adjustments are required for amounts reported in prior years, such changes should be included in the amounts reported for the current year and the effects of such changes should be reported as follows, unless these instructions or the *Accounting Practices and Procedures Manual* specifically provide for a different treatment:

    A. The cumulative effect of a change in accounting principles or practices or a change in the method of applying accounting principles or practices, should be reported on the Summary of Operations page, Line 43 Cumulative Effect of Changes in Accounting Principles. The cumulative effect of changing to a new accounting principle is the difference between the amount of capital and surplus at the beginning of the year and the amount of capital and surplus that would have been reported at that date if the new accounting principle had been applied retroactively for all prior periods. An example of a change in accounting principles would be a change in the method of accounting for pensions or other post-employment benefits.

B. The effects of changes in accounting estimates are included in income and expenses in the Summary of Operations for the current year. For example, a change in estimate for reserves for accident and health claims related to prior years should be included in the Summary of Operations in disability benefits and benefits under accident and health contracts.

C. The effects of changes resulting from corrections of errors in previously filed information (for example, mathematical mistakes, misapplication of accounting principles, or oversight or misuse of facts) should be reported as an adjustment to surplus in the current year. Such adjustments to surplus should be reported with an appropriate identifying title as a write-in item for gains and losses in surplus, Summary of Operations Page, Aggregate Write-ins for Gains and Losses in Surplus line.

D. In the case of a merger, prior year's amounts reported for assets, liabilities, surplus, revenues and expenses, as well as those amounts reflected in supporting annual statement schedules, should be reported on a merged basis consistent with the current year's post-merger reporting basis.

E. Changes that do not affect assets, liabilities, revenues, expenses, or surplus but that materially affect historical information in the financial statement supplemental schedules (e.g., Schedule O) should be reflected in the current year's schedules with appropriate notations made in the Notes to Financial Statements.

18. Related parties are defined in *SSAP No. 25—Affiliates and Other Related Parties* as entities that have common interests as a result of ownership, control, affiliation or by contract. Refer to *SSAP No. 25—Affiliates and Other Related Parties* for accounting guidance concerning principles and disclosure requirements for related party transactions.

19. A "person" is an individual, corporation, partnership, joint venture or any other legal entity. A "parent" is any person that, directly or indirectly, owns or controls the reporting entity. A "subsidiary" is any person that is, directly or indirectly, owned or controlled by the reporting entity. An "affiliate" is any person that is, directly or indirectly, owned or controlled by the same person or by the same group of persons that, directly or indirectly, own or control the reporting entity. The term "affiliate" includes parents and subsidiaries. Control shall be presumed to exist if a person, directly or indirectly, owns, controls, holds with the power to vote or holds proxies, representing 10% or more of the voting securities of any other person.

20. All reported amounts less than zero shall be represented by the use of parentheses. Parentheses shall also be used to denote those instances in which the reported figure is contrary to what normally would be expected.

21. The Notes to Financial Statements are provided to disclose pertinent information, including comments on items or transactions that are unusual or not self-explanatory or that might otherwise be misunderstood.

22. If the company has separate accounts, a statement should appear in the Notes to Financial Statements that the amounts reported pertain to the entire company business including, as appropriate, its separate accounts business.

23. Unless otherwise specified, reinsurance assumed should be included, reinsurance ceded should be deducted, and net figures entered in the statement.

24. All reinsurance transactions involving separate accounts business, if any, must be reported as reinsurance transactions in the general account annual statement, including reinsurance premiums, deposits, benefits, withdrawals, Schedule S (for separate accounts modified coinsurance reserves), Schedule T and, where applicable, the Notes to Financial Statement and Schedule Y, Part 2.

ACTUARIAL OPINION

1. There is to be included on or attached to Page 1 of the annual statement, the statement of the Appointed Actuary, entitled "Statement of Actuarial Opinion" (Actuarial Opinion), setting forth his or her opinion relating to contract reserves and other actuarial items. The Appointed Actuary must be a Qualified Actuary. Requirements regarding the Appointed Actuary and Qualified Actuary are prescribed by VM-30, Actuarial Opinion and Memorandum Requirements, of the *Valuation Manual* authorized by Section 3 of the *Standard Valuation Law* (#820) as amended by the NAIC in September 2009.

2. A separate Actuarial Opinion is required for each company filing an Annual Statement. The Actuarial Opinion must follow the requirements for statements of actuarial opinion prescribed by VM-30, Actuarial Opinion and Memorandum Requirements, of the *Valuation Manual* authorized by Section 3 of the Model #820 as amended by the NAIC in September 2009. The Actuarial Opinion should include the general account and the separate accounts.

3. The Appointed Actuary must report to the Board of Directors or the Audit Committee each year on the items within the scope of the Actuarial Opinion. The minutes of the Board of Directors shall indicate that the Appointed Actuary has presented such information to the Board of Directors or the Audit Committee.

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Annual Audited Financial
Reports

ANNUAL AUDITED FINANCIAL REPORTS

All states have a statute or regulation that requires an annual audit of their insurance companies by an independent certified public accountant based on the NAIC *Annual Financial Reporting Model Regulation* (#205). For guidance regarding this model, see Appendix G of the NAIC *Accounting Practices and Procedures Manual*.

The reporting entity shall require the independent certified public accountant to subject the information included in the Supplemental Schedule of Assets and Liabilities (illustrated below) to the auditing procedures applied in the audit of the current statutory financial statements to determine whether such information is fairly stated in all material respects in relation to the basic statutory financial statements taken as a whole and agrees to the reporting entity's annual statement filed with the state insurance departments and the NAIC.

The supplemental schedule should be included with the audited annual statutory financial statements. The auditor should issue a report on the supplemental information as to whether the information is fairly stated in relation to the financial statements taken as a whole.

Example Insurance Entity
Annual Statement for the Year Ended December 31, 20__
Schedule 1 – Selected Financial Data

The following is a summary of certain financial data included in other exhibits and schedules subjected to audit procedures by independent auditors and utilized by actuaries in the determination of reserves.

Investment Income Earned

U.S. Government Bonds	________
Other bonds (unaffiliated)	________
Bonds of affiliates	________
Preferred stocks (unaffiliated)	________
Preferred stocks of affiliates	________
Common stocks (unaffiliated)	________
Common stocks of affiliates	________
Mortgages loans	________
Real estate	________
Certificate loans and liens	________
Collateral loans	________
Cash on hand and on deposit	________
Short-term investments	________
Other invested assets	________
Derivative instruments	________
Aggregate write-ins for investment income	________

Gross Investment Income	________
Real Estate Owned – Book Value less Encumbrances	________

Mortgage Loans – Book Value:

Farm mortgages
Residential mortgages
Commercial mortgages

Total mortgage loans

Mortgage Loans By Standing – Book Value:

Good standing
Good standing with restructured terms
Interest overdue more than 90 days, not in foreclosure
Foreclosure in process

Other Long-term Assets – Statement Value

Collateral Loans

Bonds and Stocks of Subsidiaries and Affiliates – Book Value

Bonds
Preferred Stocks
Common Stocks

Bonds and Short-term Investments by NAIC Designation and Maturity:

Bonds by Maturity – Statement Value

Due within one year less
Over 1 year through 5 years
Over 5 years through 10 years
Over 10 years through 20 years
Over 20 years

Total by Maturity

Bonds by NAIC Designation – Statement Value

NAIC 1
NAIC 2
NAIC 3
NAIC 4
NAIC 5
NAIC 6

Total by NAIC Designation

Total Bonds Publicly Traded

Total Bonds Privately Placed

Preferred Stocks – Statement Value

Common Stocks – Market Value

Short-term Investments – Book Value

Options, Caps & Floors Owned – Statement Value

Options, Caps & Floors Written and In Force – Statement Value

Collar, Swap & Forward Agreements Open – Statement Value

Futures Contracts Open – Current Value

Cash on Deposit

Life Insurance In Force:

Ordinary

Amount of Accidental Death Insurance In Force Under Ordinary Policies

Supplementary Contracts In Force:

Ordinary – Not Involving Life Contingencies –

Amount on Deposit
Income Payable

Ordinary – Involving Life Contingencies –

Income Payable

Annuities:

Ordinary –

Immediate – Amount of Income Payable
Deferred – Fully Paid Account Balance
Deferred – Not Fully Paid – Account Balance

Deposit Funds and Refund Accumulations:

Deposit Funds – Account Balance
Refund Accumulations – Account Balance

Claim Payments 20__:

Accident and Health – Year Ended December 31, 20__ –

20__
Prior

This page intentionally left blank.

MANAGEMENT'S DISCUSSION AND ANALYSIS[1]

Reporting entities are required to file a supplement to the annual statement titled "Management's Discussion and Analysis" (MD&A) by April 1 each year.

MD&A Requirements:

Discuss the reporting entity's financial condition, changes in financial condition and results of operations. The discussion shall provide information as specified in paragraphs that follow and also shall provide such other information that the reporting entity believes to be necessary for an understanding of its financial condition, changes in financial condition and results of operations. Discussions of liquidity and capital resources may be combined whenever the two topics are interrelated.

Introduction

1. The MD&A requirements are intended to provide, in one section, material historical and prospective textual disclosure enabling regulators to assess the financial condition and results of operations of the reporting entity. There is a need for a narrative explanation of the financial statements, because a numerical presentation and brief accompanying footnotes alone may be insufficient for regulators to judge the quality of earnings and the likelihood that past performance is indicative of future performance. The MD&A is intended to give the regulator an opportunity to look at the reporting entity through the eyes of management by providing both a short-term and long-term analysis of the business of the reporting entity.

2. The MD&A shall be of the financial statements and of other statistical data that the reporting entity believes will enhance a regulator's understanding of its financial condition, changes in financial condition and results of operations. Generally, the discussion shall cover the two year period covered by the financial statements and shall use year-to-year comparisons or any other formats that in the reporting entity's judgment enhance a regulator's understanding. However, where trend information is relevant, reference to the five year selected financial data schedule may be necessary.

3. The purpose of the MD&A shall be to provide regulators with information relevant to an assessment of the financial condition and results of operations of the reporting entity as determined by evaluating the amounts and certainty of cash flows from operations and from outside sources. The information provided pursuant to this MD&A need only include that which is available to the reporting entity without undue effort or expense and which does not clearly appear in the reporting entity's financial statements.

4. Management should ensure that disclosure in MD&A is balanced and fully responsive. To enhance regulator understanding of the financial statements, entities are encouraged to explain in the MD&A the effects of the critical accounting policies applied, the judgments made in their application, and any subsequent changes in assumptions or conditions which would have resulted in materially different reported results. Analytical discussion of significant accounting policies in the MD&A should not include information already reported in the significant accounting policies section of the notes to the financial statement.

5. The discussion and analysis shall focus specifically on material events and uncertainties known to management that would cause reported financial information not to be necessarily indicative of future operating results or of future financial condition. This would include descriptions and amounts of (a) matters that would have an impact on future operations and have not had an impact in the past, and (b) matters that have had an impact on reported operations and are not expected to have an impact upon future operations.

[1] These requirements have been developed, in part, based upon the requirements set forth in Title 17–Commodity and Securities Exchanges, Chapter II–Securities and Exchange Commission (SEC), Part 229--Standard Instructions for Filing Forms Under Securities Act of 1933, Securities Exchange Act of 1934 and Energy Policy and Conservation Act of 1975, Regulation S-K, Section 229.303 (Item 303) Management's Discussion and Analysis of Financial Condition and Results of Operations. These requirements have also incorporated certain interpretative guidance as set forth in Release No. 33-6835, *SEC Interpretation: Management's Discussion and Analysis of Financial Condition and Results of Operations; Certain Investment Company Disclosures* (issued May 18, 1989), Release No. 33-8040, *Cautionary Advice Regarding Disclosure About Critical Accounting Policies* (issued December 12, 2001) and Release No. 33-8056, *Commission Statement about Management's Discussion and Analysis of Financial Condition and Results of Operations* (issued January 22, 2002).

6. Reporting entities are required to prepare the MD&A on a non-consolidated basis, unless the following conditions are met:

   a. The entity is part of a consolidated group of insurers that utilizes a pooling arrangement or one hundred percent reinsurance agreement that affects the solvency and integrity of the entity's reserves and such entity ceded substantially all of its direct and assumed business to the pool. An entity is deemed to have ceded substantially all of its direct and assumed business to a pool if the entity has less than $1,000,000 total direct plus assumed written premiums during a calendar year that are not subject to a pooling arrangement and the net income of the business not subject to the pooling arrangement represents less than 5% of the company's capital and surplus.

   Or

   b. The entity's state of domicile permits audited consolidated financial statements.

   If a group of insurance companies prepares the MD&A on a consolidated basis, the discussion should identify and discuss significant differences between reporting entities (e.g., investment mix, leverage, liquidity, etc.).

Results of Operations

7. Reporting entities should describe any unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported net income or other gains/losses in surplus and, in each case, indicate the extent to which net income or surplus was so affected. In addition, describe any other significant components of income that, in the reporting entity's judgment, should be described in order to understand the reporting entity's results of operations.

8. Reporting entities should describe any known trends or uncertainties that have had or are reasonably probable to have a material favorable or unfavorable impact on premium, net income or other gains/losses in surplus. If the reporting entity knows of events that will cause a material change in the relationship between expenses and premium, the change in the relationship shall be disclosed.

9. To the extent that the financial statements disclose material increases in premium, reporting entities should provide a narrative discussion of the extent to which such increases are attributable to increases in prices or to increases in the volume or amount of existing products being sold or to the introduction of new products.

Prospective Information

10. Reporting entities are encouraged to supply forward-looking information. The MD&A may include discussions of "known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the reporting entity's liquidity increasing or decreasing in any material way." Further, descriptions of known material trends in the reporting entity's capital resources and expected changes in the mix and cost of such resources should be included. Disclosure of known trends or uncertainties that the reporting entity reasonably expects will have a material impact on premium, net income or other gains/losses in surplus is also encouraged.

11. In the event that a reporting entity does supply forward-looking information, the reporting entity may disclaim any responsibility for the accuracy of such information and condition the delivery of such information upon a waiver of any claim under any theory of law based on the inaccuracy of such information; provided that the reporting entity supplied such information in good faith.

Material Changes

12. Reporting entities are required to provide adequate disclosure of the reasons for material year-to-year changes in line items, or discussion and quantification of the contribution of two or more factors to such material changes. An analysis of changes in line items is required where material and where the changes diverge from changes in related line items of the financial statements, where identification and quantification of the extent of contribution of each of two or more factors is necessary to an understanding of a material change, or where there are material increases or decreases in net premium.

13. Repetition and line-by-line analysis is not required or generally appropriate when the causes for a change in one line item also relate to other line items. The discussion need not recite amounts of changes readily computable from the financial statements and shall not merely repeat numerical data contained in such statements. However, quantification should otherwise be as precise, including use of dollar amounts or percentages, as reasonably practicable.

Liquidity, Asset/Liability Matching and Capital Resources

14. The term "liquidity" as used in this MD&A refers to the ability of the reporting entity to generate adequate amounts of cash to meet the reporting entity's needs for cash. Except where it is otherwise clear from the discussion, the reporting entity shall indicate those balance sheet conditions or income or cash flow items, which the reporting entity believes, may be indicators of its liquidity condition. Liquidity generally shall be discussed on both a long-term and short-term basis. The issue of liquidity shall be discussed in the context of the reporting entity's own business or businesses.

15. The discussion of liquidity shall include a discussion of the nature and extent of restrictions on the ability of subsidiaries to transfer funds to the reporting entity in the form of cash dividends, loans or advances and the impact such restrictions may, if any, have on the ability of the reporting entity to meet its cash obligations.

16. Generally, short-term liquidity and short-term capital resources cover cash needs up to 12 months into the future. These cash needs and the sources of funds to meet such needs relate to the day-to-day operating expenses of the reporting entity and material commitments coming due during that 12-month period.

17. The discussion of long-term liquidity and long-term capital resources must address material expenditures, significant balloon payments or other payments due on long-term obligations, and other demands or commitments, including any off-balance sheet items, to be incurred beyond the next 12 months, as well as the proposed sources of funding required to satisfy such obligations.

18. Reporting entities should identify any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the reporting entity's liquidity increasing or decreasing in any material way. If a material decline in liquidity is identified, indicate the course of action that the reporting entity has taken or proposes to take to remedy the decline. Also identify and separately describe internal and external sources of liquidity, and briefly discuss any material unused sources of liquid assets.

19. Reporting entities should describe any known material trends, favorable or unfavorable, in the reporting entity's capital resources. Indicate any expected material changes in the mix and relative cost of such resources. The discussion shall consider changes between equity, debt and any off-balance sheet financing arrangements.

20. Reporting entities are expected to use the statement of cash flows, and other appropriate indicators, in analyzing their liquidity, and to present a balanced discussion dealing with cash flows from investing and financing activities as well as from operations. This discussion should address those matters that have materially affected the most recent period presented but are not expected to have short-term or long-term implications, and those matters that have not materially affected the most recent period presented but are expected materially to affect future periods. Examples of such matters include:

    a. Discretionary operating expenses such as expenses relating to advertising;

    b. Debt refinancings or redemptions;

    c. Dividend requirements to the reporting entity's parent to fund the parent's operations or debt service; or

    d. Future potential sources of capital, such as a parent entity's planned investment in the reporting entity, and the form of that investment.

21. MD&A disclosures should not be overly general. For example, disclosure that the reporting entity has sufficient short-term funding to meet its liquidity needs for the next year provides little useful information. Instead, reporting entities should consider describing the sources of short-term funding and the circumstances that are reasonably likely to affect those sources of liquidity. The discussion should be limited to material risks, and, as with the MD&A generally, should be sufficiently detailed and tailored to the entity's individual circumstances, rather than "boilerplate."

22. If the reporting entity's liquidity is dependent on the use of off-balance sheet financing arrangements, such as securitization of receivables or obtaining access to assets through special purpose entities, the reporting entity should consider disclosure of the factors that are reasonably likely to affect its ability to continue using those off-balance sheet financing arrangements. Reporting entities also should make informative disclosures about matters that could affect the extent of funds required within management's short- and long-term planning horizons.

23. Reporting entities are reminded that identification of circumstances that could materially affect liquidity is necessary if they are "reasonably likely" to occur. This disclosure threshold is lower than "more likely than not." (See guidance provided in *SSAP No. 5R—Liabilities, Contingencies and Impairments of Assets*.) Market price changes, economic downturns, defaults on guarantees, or contractions of operations that have material consequences for the reporting entity's financial position or operating results can be reasonably likely to occur under some conditions. Material effects on liquidity as a result of any reasonably likely changes should be disclosed.

24. To identify trends, demands, commitments, events and uncertainties that require disclosure, management should consider the following:

   a. Provisions in financial guarantees or commitments, debt agreements or other arrangements that could trigger a requirement for an early payment, additional collateral support, changes in terms, acceleration of maturity, or the creation of an additional financial obligation, such as adverse changes in the reporting entity's credit rating, financial ratios, earnings, cash flows, stock price or changes in the value of underlying, linked or indexed assets;

   b. Circumstances that could impair the reporting entity's ability to continue to engage in transactions that have been integral to historical operations or are financially or operationally essential, or that could render that activity commercially impracticable, such as the inability to maintain a specified claims paying ability or investment grade credit rating, level of earnings, earnings per share, financial ratios, or collateral; and

   c. Factors specific to the reporting entity and its markets that the reporting entity expects to be given significant weight in the determination of the reporting entity's credit rating or will otherwise affect the reporting entity's ability to raise short-term and long-term financing.

Loss Reserves (Property & Casualty Companies only)

25. The MD&A should include a discussion of those items that affect the reporting entity's volatility of loss reserves, including a description of those risks that contribute to the volatility.

Off-Balance Sheet Arrangements

26. Reporting entities should consider the need to provide disclosures concerning transactions, arrangements and other relationships with entities or other persons that are reasonably likely to affect materially liquidity or the availability of or requirements for capital resources. Specific disclosure may be necessary regarding relationships with entities that are contractually limited to narrow activities that facilitate the reporting entity's transfer of or access to assets. These entities are often referred to as structured finance or special purpose entities. These entities may be in the form of corporations, partnerships or limited liability companies, or trusts.

27. Material sources of liquidity and financing, including off-balance sheet arrangements and transactions with limited purpose entities should be discussed. The extent of the reporting entity's reliance on off-balance sheet arrangements should be described fully and clearly where those entities provide financing, liquidity, or market or credit risk support for the reporting entity; engage in leasing or hedging services with the reporting entity; or expose the reporting entity to liability that is not reflected on the face of the financial statements. Where contingencies inherent in the arrangements are reasonably likely to affect the continued availability of a material historical source of liquidity and finance, reporting entities must disclose those uncertainties and their effects.

28. Reporting entities should consider the need to include information about the off-balance sheet arrangements such as: their business purposes and activities; their economic substance; the key terms and conditions of any commitments; the initial and ongoing relationships with the reporting entity and its affiliates; and the reporting entity's potential risk exposures resulting from its contractual or other commitments involving the off-balance sheet arrangements.

29. For example, a reporting entity may be economically or legally required or reasonably likely to fund losses of a limited purpose entity, provide it with additional funding, issue securities pursuant to a call option held by that entity, purchase the entity's capital stock or assets, or the reporting entity otherwise may be financially affected by the performance or non-performance of an entity or counterparty to a transaction or arrangement. In those circumstances, the reporting entity may need to include information about the arrangements and exposures resulting from contractual or other commitments to provide investors with a clear understanding of the reporting entity's business activities, financial arrangements, and financial statements. Other disclosures that reporting entities should consider to explain the effects and risks of off-balance sheet arrangements include:

a. Total amount of assets and obligations of the off-balance sheet entity, with a description of the nature of its assets and obligations, and identification of the class and amount of any debt or equity securities issued by the reporting entity;

b. The effects of the entity's termination if it has a finite life or it is reasonably likely that the reporting entity's arrangements with the entity may be discontinued in the foreseeable future;

c. Amounts receivable or payable, and revenues, expenses and cash flows resulting from the arrangements;

d. Extended payment terms of receivables, loans and debt securities resulting from the arrangements, and any uncertainties as to realization, including repayment that is contingent upon the future operations or performance of any party;

e. The amounts and key terms and conditions of purchase and sale agreements between the reporting entity and the counterparties in any such arrangements; and

f. The amounts of any guarantees, lines of credit, standby letters of credit or commitments or take or pay contracts or other similar types of arrangements, including tolling, capacity, or leasing arrangements, that could require the reporting entity to provide funding of any obligations under the arrangements, including guarantees of repayment of obligors of parties to the arrangements, make whole agreements, or value guarantees.

30. Although disclosure regarding similar arrangements can be aggregated, important distinctions in terms and effects should not be lost in that process. The relative significance to the reporting entity's financial position and results of the arrangements with unconsolidated, non-independent, limited purpose entities should be clear from the disclosures to the extent material. While legal opinions regarding "true sale" issues or other issues relating to whether a reporting entity has contingent, residual or other liability can play an important role in transactions involving such entities, they do not obviate the need for the reporting entity to consider whether disclosure is required. In addition, disclosure of these matters should be clear and individually tailored to describe the risks to the reporting entity, and should not consist merely of recitation of the transactions' legal terms or the relationships between the parties or similar boilerplate.

Participation in High Yield Financings, Highly Leveraged Transactions or Non-Investment Grade Loans and Investments

31. A reporting entity, consistent with its domiciliary state's law, may participate in several ways, directly or indirectly, in high yield financings, or highly leveraged transactions or make non-investment grade loans or investments relating to corporate restructurings such as leveraged buyouts, recapitalizations including significant stock buybacks and cash dividends, and acquisitions or mergers. A reporting entity may participate in the financing of such a transaction either as originator, syndicator, lender, purchaser of secured senior debt, or as an investor in other debt instruments (often unsecured or subordinated), redeemable preferred stock or other equity securities. Participation in high yield or highly leveraged transactions, as well as investment in non-investment grade securities, generally involves greater returns, in the form of higher fees and higher average yields or potential market gains. Participation in such transactions may involve greater risks, often related to credit worthiness, solvency, relative liquidity of the secondary trading market, potential market losses, and vulnerability to rising interest rates and economic downturns.

32. In view of these potentially greater returns and potentially greater risks, disclosure of the nature and extent of a reporting entity's involvement with high yield or highly leveraged transactions and non-investment grade loans and investments may be required, if such participation or involvement has had or is reasonably likely to have a material effect on financial condition or results of operations. For each such participation or involvement or grouping thereof, there shall be identification, consistent with the Annual Statement schedules or detail description of the risks added to the reporting entity; associated fees recognized or deferred; amount, if any, of loss recognized; the reporting entity's judgment whether there has been material negative effect on the entity's financial condition; and the reporting entity's judgment whether there will be material negative effect on the entity's financial condition in subsequent reporting periods.

Preliminary Merger/Acquisition Negotiations

33. While the MD&A requirements could be read to impose a duty to disclose otherwise nondisclosed preliminary merger or acquisition negotiations, as known events or uncertainties reasonably likely to have material effects on future financial condition or results of operations, the NAIC does not intend to apply the MD&A in this manner. Where disclosure is not otherwise required, and has not otherwise been made, the MD&A need not contain a discussion of the impact of preliminary merger negotiations where, in the reporting entity's view, inclusion of such information would jeopardize completion of the transaction. Where disclosure is otherwise required or has otherwise been made by or on behalf of the reporting entity, the interests in avoiding premature disclosure no longer exist. In such case, the negotiations would be subject to the same disclosure standards under the MD&A as any other known trend, demand, commitment, event or uncertainty. These policy determinations also would extend to preliminary negotiations for the acquisition or disposition of assets not in the ordinary course of business.

Conclusion

34. In preparing the MD&A disclosure, reporting entities should be guided by the general purpose of the MD&A requirements: to give regulators an opportunity to look at the reporting entity through the eyes of management by providing a historical and prospective analysis of the reporting entity's financial condition and results of operations, with particular emphasis on the reporting entity's prospects for the future. The MD&A requirements are intentionally flexible and general. Because no two reporting entities are identical, good MD&A disclosure for one reporting entity is not necessarily good MD&A disclosure for another. The same is true for MD&A disclosure of the same reporting entity in different years. The flexibility of MD&A creates a framework for providing regulators with appropriate information concerning the reporting entity's financial condition, changes in financial condition and results of operations.

JURAT PAGE

Enter all information completely as indicated by the format of the page.

NAIC Group Code

Current Period

Enter the NAIC Group Code for the current filing.

Prior Period

Enter the NAIC Group Code for the prior quarter.

State of Domicile or Port of Entry

Alien companies doing business in the United States through a port of entry should complete this line with the appropriate state. U.S. insurance entities should enter the state of domicile.

Country of Domicile

U.S. branches of alien insurers should enter the three-character identifier for the reporting entity's country of domicile from the Appendix of Abbreviations. Domestic insurers should enter "US" in this field.

Commenced Business

Enter the date when the reporting entity first became obligated for any insurance risk via the issuance of policies and/or entering into a reinsurance agreement.

Statutory Home Office

As identified with the Certificate of Authority in domiciled state.

Main Administrative Office

Location of the reporting entity's main administrative office.

Mail Address

Reporting entity's mailing address, if other than the main administrative office address. May be a P.O. Box and the associated ZIP code.

Primary Location of Books and Records

Location where examiners may review records during an examination.

Internet Website Address

Include the Internet Website address of the reporting entity. If none, and information relating to the reporting entity is contained in a related entity's Website, include that Website.

Statutory Statement Contact

Name & Email

Name and email address of the person responsible for preparing and filing all statutory filings with the reporting entity's regulators and the NAIC. The person should be able to respond to questions and concerns for annual and quarterly statements.

Telephone Number & Fax Number

Telephone and fax number should include area code and extension.

Officers, Directors, Trustees

The state of domicile regulatory authority may dictate the required officers, directors, trustees and any other positions to be listed on the Jurat Page. Show full name (initials not acceptable) and title (indicate by number sign (#) those officers and directors who did not occupy the indicated position in the prior annual statement). Additional lines may be required to identify officers, directors, trustees and any other positions in primary policy-making or managerial roles. Examples of titles are 1) President, Chief Executive Officer or Chief Operating Officer; 2) Secretary, or Corporate Secretary; 3) Treasurer or Chief Financial Officer; and, 4) Actuary. When identifying officers, if the Treasurer does not have charge of the accounts of the reporting entity, enter the name of the individual who does and indicate the appropriate title.

Statement of Deposition

Those states that have adopted the NAIC blank require that the blank be completed in accordance with the *Annual Statement Instructions* and *Accounting Practices and Procedures Manual* except to the extent that state law may differ. If the reporting entity deviates from any of these rules, disclose deviations in Note 1 of the Notes to Financial Statements, to the extent that there is an impact to the financial information contained in the annual statement.

Signatures

Complete the Jurat signature requirements in accordance with the requirements of the domiciliary state. Direct any questions concerning signature requirements to that state. At least one statement filed with the domiciliary state must have original signatures and must be manually signed by the appropriate corporate officers, have the corporate seal affixed thereon where appropriate, and be properly notarized. For statements filed in non-domestic states, facsimile signatures or reproductions of original signatures may be used except where otherwise mandated. If the appropriate corporate officers are incapacitated or otherwise not available due to a personal emergency, the reporting entity should contact the domiciliary state for direction as to who may sign the statement.

NOTE: If the United States Manager of a U.S. Branch or the Attorney-in-Fact of a Reciprocal Exchange or Lloyds Underwriters is a corporation, the affidavit should be signed by two (or three) principal officers of the corporation or, if a partnership, by two (or three) of the principal members of the partnership.

For domiciliary jurisdictions that require the reporting entity to submit signatures on the Jurat page as part of the PDF filed with the NAIC see the instructions for submitting a signed Jurat in the General Electronic Filing Directive. The link to that directive can be found at the following Web address:

www.naic.org/cmte_e_app_blanks.htm

If this is an amendment, change or modification of previously filed information, state the amendment number (each amendment made by a reporting entity should be sequentially numbered), the date this amendment is being filed, and the number of annual statement pages being changed by this amendment.

To be filed in electronic format only:

Policyowner Relations Contact

Name

List person able to respond to calls regarding policies, premium payments, etc. on individual policies.

Address

May be a P.O. Box and the associated ZIP code.

Telephone Number

Telephone number should include area code and extension.

Email Address

Email address of the policyowner relations contact person as described above.

Government Relations Contact

Name

The government relations contact represents the person the reporting entity designates to receive information from state insurance departments regarding new bulletins, company and producer licensing information, changes in departmental procedures and other general communication regarding non-financial information.

Address

May be a P.O. Box and the associated ZIP code.

Telephone Number

Telephone number should include area code and extension.

Email Address

Email address of the government relations contact person as described above.

Market Conduct Contact

Name

The market conduct contact represents the person the reporting entity designates to receive information from state insurance departments regarding market conduct activities. Such information would include (but not be limited to) data call letters, filing instructions, report cards and inquiries/questions about the reporting entity's market conduct.

Address

May be a P.O. Box and the associated ZIP code.

Telephone Number

Telephone number should include area code and extension.

Email Address

Email address of the market conduct contact person as described above.

Cybersecurity Contact

Name

The cybersecurity contact represents the person the reporting entity designates to receive information from regulatory agencies on active, developing and potential cybersecurity threats.

Address

May be a P.O. Box and the associated ZIP code.

Telephone Number

Telephone number should include area code and extension.

Email Address

Email address of the cybersecurity contact person as described above.

Life Insurance Policy Locator Contact (Not applicable to Property and Title companies)

Name

List person able to respond to calls regarding locating policies on lost or forgotten life insurance policies.

Address

May be a P.O. Box and the associated ZIP code.

Telephone Number

Telephone number should include area code and extension.

Email Address

Email address of the policy locator contact person as described above.

ASSETS

The value for real estate, bonds, stocks, and the amount loaned on mortgages must, in all cases, prove with corresponding values and admitted assets supported by the corresponding schedules.

Refer to the *Accounting Practices and Procedures Manual* for accounting guidance on these topics.

Companies should refer to the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* to determine the filing requirements and the procedures for valuation of bonds and stocks owned or held as collateral for loans.

The Notes to Financial Statements are an integral part of this statement. Certain Notes are required regarding the valuation of invested assets. See instructions herein for Notes to Financial Statements.

Assets owned at the end of the current period that were not under the exclusive control of the reporting entity, including assets loaned to others as shown in the General Interrogatories, are to be individually identified in the investment schedules by placing the codes found in the Investment Schedules General Instructions in the Code Column of the appropriate investment schedule.

For statements with Separate Accounts, Segregated Accounts or Protected Cell Accounts: Exclude receivables from the Separate Accounts Statement, Segregated Accounts or Protected Cell Accounts from the assets of the General Account Statement. This eliminates the need for consolidating adjustments. Report such receivables as a negative liability and net the receivables against payables to the appropriate account as required elsewhere in these instructions.

The development of admitted assets is illustrated in two columns.

Column 1 – Assets

Record the amount by category, from the reporting entity's financial records, less any valuation allowance.

Column 2 – Nonadmitted Assets

Include: Amounts for which the state does not allow the reporting entity to take credit.

Refer to the Annual Statement Instructions, Exhibit of Nonadmitted Assets.

Column 3 – Net Admitted Assets

The amount in Column 3 equals Column 1 minus Column 2. The amounts reported in Column 3 should agree to the appropriate schedules.

Column 4 – Prior Year Net Admitted Assets

Amounts contained in Column 3 of the prior year Annual Statement.

Inside amount – Report net admitted assets amounts.

Line 1 – Bonds

Report all bonds with maturity dates greater than one year from the acquisition date. Bonds are valued and reported in accordance with guidance set forth in *SSAP No. 26R—Bonds* and *SSAP No. 43R—Loan-Backed and Structured Securities*.

Record bond acquisitions or disposals on the trade date, not the settlement date. Record private placements on the funding date.

Exclude: Interest due and accrued.

Line 2 – Stocks

The amount reported in Column 3 for common stocks and preferred stocks is the value in accordance with guidance set forth in *SSAP No. 30—Unaffiliated Common Stock; SSAP No. 32—Preferred Stock;* and *SSAP No. 97—Investments in Subsidiary, Controlled, and Affiliated Entities.*

Line 3 – Mortgage Loans on Real Estate

Include: Foreclosed liens subject to redemption.

Exclude: Interest due and accrued.

The amount reported in Column 3 is the Book Value/Recorded Investment reduced by any valuation allowance and nonadmitted amounts. Mortgage loans are valued and reported in accordance with the guidance set forth in *SSAP No. 37—Mortgage Loans.*

Line 4 – Real Estate

Refer to *SSAP No. 40R—Real Estate Investments, SSAP No. 44—Capitalization of Interest* and *SSAP No. 90—Impairment or Disposal of Real Estate Investments*, for accounting guidance.

The amount reported in Column 3 for properties occupied by the reporting entity (home office real estate), properties held for production of income and properties held for sale must not exceed actual cost, plus capitalized improvements, less normal depreciation. This formula shall apply whether the reporting entity holds the property directly or indirectly.

Report amounts net of encumbrances. The sum of all encumbrances reported in the inset lines should agree with the total of Schedule A, Part 1, Column 8.

Exclude: Income due and accrued.

Line 5 – Cash, Cash Equivalents and Short-Term Investments

Include: All cash, including petty cash, other undeposited funds, certificates of deposit in banks or other similar financial institutions with maturity dates of one year or less from the acquisition date and other instruments defined as cash and cash equivalents in accordance with *SSAP No. 2R—Cash, Cash Equivalents, Drafts, and Short-Term Investments.*

Include in Column 2, the excess of deposits in suspended depositories over the estimated amount recoverable.

The amount in Column 1 should agree with the sum of Schedule E, Part 1, Column 6, Schedule E, Part 2, Column 7 and Schedule DA, Part 1, Column 7. The amount in Column 1 should agree with Cash Flow, line 19.2. The prior year's Column 1 amount should agree with Cash Flow, line 19.1.

Line 6 – Contract Loans

Report loans at their unpaid balance in accordance with *SSAP No. 49—Policy Loans* (applicable to Life and Accident and Health), and reduced by the proportionate share of loans under any coinsurance arrangements.

Include: In Column 1, contract loans assumed under coinsurance arrangements.

In Column 2, premium notes, contract loans, and other policy assets in excess of net value and of other policy liabilities on individual policies.

Exclude: Interest due and accrued, less than 90 days past due. Refer to *SSAP No. 49—Policy Loans*, for accounting guidance.

Premium extension agreements.

Line 7 – Derivatives

Derivative asset amounts shown as debit balances. Should equal Schedule DB, Part D, Section 1, Column 5, Footnote Question 2. The gross amounts from Schedule DB shall be adjusted to reflect netting from the valid right to offset in accordance with *SSAP No. 64—Offsetting and Netting of Assets and Liabilities*.

Line 8 – Other Invested Assets (Schedule BA Assets)

Report admitted investments reported on Schedule BA and not included under another classification.

Include: Loans.

Certain affiliated securities, such as joint ventures, partnerships and limited liability companies (*SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies*).

Low Income Housing Tax Credit Property Investments (*SSAP No. 93—Low Income Housing Tax Credit Property Investments*).

Line 9 – Receivables for Securities

Refer to *SSAP No. 21—Other Admitted Assets*, for accounting guidance.

Include: Amounts received within 15 days of the settlement date that are due from brokers when a security has been sold but the proceeds have not yet been received.

Exclude: Receivables for securities not received within 15 days of the settlement date. These receivables are classified as other-than-invested-assets and nonadmitted per *SSAP No. 21—Other Admitted Assets*.

Line 10 – Securities Lending Reinvested Collateral Assets

Include reinvested collateral assets from securities lending programs where the program is administered by the reporting entity's unaffiliated agent or the reporting entity's affiliated agent if the reporting entity chooses not to report in the investment schedules.

Line 11 – Aggregate Write-ins for Invested Assets

Enter the total of the write-ins listed in schedule Details of Write-ins Aggregated at Line 11 for Invested Assets.

Line 13 – Title Plants (Applies to Title Insurers Only)

Refer to *SSAP No. 57—Title Insurance*, for accounting guidance.

Column 1 should equal Schedule H – Verification Between Years, Line 8.

Line 14 – Investment Income Due and Accrued

Refer to *SSAP No 34—Investment Income Due and Accrued*, for accounting guidance.

Include: Income earned on investments but not yet received.

Line 15 – Premiums and Considerations

Include: Amounts for premium transactions conducted directly with the insured.

Amounts due from agents resulting from various insurance transactions.

Premiums receivable for government insured plans, including fixed one-time premium payments (such as for Medicaid low birth weight neonates and Medicaid maternity delivery).

Refer to *SSAP No. 6—Uncollected Premium Balances, Bills Receivable for Premiums, and Amounts Due From Agents and Brokers*, *SSAP No. 57—Title Insurance*, and *SSAP No. 53—Property Casualty Contracts – Premiums*. Refer to *SSAP No. 62R—Property and Casualty Reinsurance*, and *SSAP No. 61R—Life, Deposit-Type and Accident and Health Reinsurance*, for accounting guidance pertaining to reinsurance transactions.

Line 15.1 – Uncollected Premiums and Agents' Balances in Course of Collection

Include: Direct and group billed uncollected premiums.

Amounts collected but not yet remitted to home office.

Accident and health premiums due and unpaid.

Life insurance premiums and annuity considerations uncollected on in force business (less premiums on reinsurance ceded and less loading).

Title insurance premiums and fees receivable.

Do not deduct: **For Property/Casualty and Title companies:**

Ceded reinsurance balances payable.

Exclude: Receivables relating to uninsured accident and health plans and the uninsured portion of partially insured accident and health plans.

Line 15.2 – Deferred Premiums, Agents' Balances and Installments Booked but Deferred and Not Yet Due

Include: Receivable amounts not yet due.

Life insurance premiums and annuity considerations deferred on in force business (less premiums on reinsurance ceded and less loading).

For Property/Casualty companies:

Earned but unbilled premiums.

Deduct: **For Property/Casualty companies:**

Reinsurance assumed premiums received after the effective date of the contract but prior to the contractual due date. Refer to *SSAP No. 62R—Property and Casualty Reinsurance*, for accounting guidance.

Exclude: Ceded reinsurance balances payable.

Line 15.3 – Accrued Retrospective Premiums ($______) and contracts subject to redetermination ($______)

Include: Accrued retrospective premiums on insurance contracts.

Receivables for all contracts subject to redetermination, including risk adjustment for Medicare Advantage and Medicare Part D and Affordable Care Act risk adjustment. See *SSAP No. 54R—Individual and Group Accident and Health Contracts.*

Refer to *SSAP No. 66—Retrospectively Rated Contracts*, for accounting guidance and nonadmission criteria.

Direct Accrued Retrospective Premiums:

For Property/Casualty companies:

If retrospective premiums are estimated by reviewing each retrospectively rated risk, report on Line 15.3 the gross additional retrospective premiums included in the total reserve for unearned premiums.

If retrospective premiums are estimated through the use of actuarially accepted methods applied to aggregations of multiple retrospectively rated risks in accordance with filed and approved retrospective rating plans and the result of such estimation is net additional retrospective premiums, report on Line 15.3 the net additional retrospective premiums included in the total reserve for unearned premiums.

Line 16.1 – Amounts Recoverable from Reinsurers

Property/Casualty and Title companies should refer to *SSAP No. 62R—Property and Casualty Reinsurance*, for accounting guidance.

Include: Amounts recoverable on paid losses/claims and loss/claim adjustment expenses.

Reinsurance recoverables on unpaid losses are treated as a deduction from the reserve liability.

Line 16.2 – Funds Held by or Deposited with Reinsured Companies

Property/Casualty and Title companies should refer to *SSAP No. 62R—Property and Casualty Reinsurance*, for accounting guidance.

Include: Reinsurance premiums withheld by the ceding entity as specified in the reinsurance contract (for example, funds withheld equal to the unearned premiums and loss reserves), or advances from the reinsurer to the ceding entity for the payment of losses before an accounting is made by the ceding entity.

Line 16.3 – Other Amounts Receivable Under Reinsurance Contracts

For **Life companies**, include commissions and expense allowances due and experience rating and other refunds due. Include the amounts for FEGLI/SEGLI pools and any other amounts not reported in Lines 16.1 or 16.2.

Property/Casualty companies should refer to *SSAP No. 62R—Property and Casualty Reinsurance*, for accounting guidance.

Line 17 – Amounts Receivable Relating to Uninsured Plans

The term "uninsured plans" includes the uninsured portion of partially insured plans.

Include: Amounts receivable from uninsured plans for (a) claims and other costs paid by the administrator on behalf of the third party at risk and (b) fees related to services provided by the administrator to the plan.

Pharmaceutical rebates relating to uninsured plans that represent an administrative fee and that are retained by the reporting entity and are earned in excess of the amounts to be remitted to the uninsured plan.

Refer to *SSAP No. 84—Health Care and Government Insured Plan Receivables*, for accounting guidance.

Exclude: Pharmaceutical rebates of insured plans. These amounts should be reported on Line 24.

Refer to *SSAP No. 47—Uninsured Plans*, for accounting guidance.

Line 18.1 – Current Federal and Foreign Income Tax Recoverable and Interest Thereon

This line is not applicable to Fraternal Societies.

Exclude: Deferred tax assets.

Refer to *SSAP No. 101—Income Taxes*, for accounting guidance.

Reporting entities may recognize intercompany transactions arising from income tax allocations among companies participating in a consolidated tax return, provided the following conditions are met:

1. There is a written agreement describing the method of allocation and the manner in which intercompany balances will be settled; and
2. Such an agreement requires that any intercompany balance will be settled within a reasonable time following the filing of the consolidated tax return; and
3. Such agreement complies with regulations promulgated by the Internal Revenue Service; and
4. Any receivables arising out of such allocation meet the criteria for admitted assets as prescribed by the domiciliary state of the reporting entity; and
5. Other companies participating in the consolidated return have established liabilities that offset the related intercompany receivables.

Line 18.2 – Net Deferred Tax Asset

Refer to *SSAP No. 101—Income Taxes*, for accounting guidance.

Line 19 – Guaranty Funds Receivable or on Deposit

This line is not applicable to Fraternal Societies.

Include: Any amount paid in advance or amounts receivable from state guaranty funds to offset against premium taxes in future periods.

Line 20 – Electronic Data Processing Equipment and Software

Include: Electronic data processing equipment, operating and non-operating systems software (net of accumulated depreciation).

Refer to *SSAP No. 16R—Electronic Data Processing Equipment and Software*, for accounting guidance. Non-operating systems software must be nonadmitted. Admitted asset is limited to three percent of capital and surplus for the most recently filed statement adjusted to exclude any EDP equipment and operating system software, net deferred tax assets and net positive goodwill.

Line 21 – Furniture and Equipment, Including Health Care Delivery Assets

Include: Health care delivery assets reported in the Furniture and Equipment Exhibit.

All leasehold improvements.

Refer to *SSAP No. 19—Furniture, Fixtures, Equipment and Leasehold Improvements*, *SSAP No. 44—Capitalization of Interest* and *SSAP No. 73—Health Care Delivery Assets and Leasehold Improvements in Health Care Facilities*, for accounting guidance.

Line 22 – Net Adjustment in Assets and Liabilities Due to Foreign Exchange Rates

Include: The appropriate exchange differential applied to the excess, if any, of foreign currency Canadian Insurance Operations assets over foreign currency Canadian Insurance Operations liabilities. This method can be used if the Canadian Insurance Operations result in less than 10% of the reporting entity's assets, liabilities and premium. The difference, if an asset, is recorded on Page 2, Line 22, Net Adjustment in Assets and Liabilities Due To Foreign Exchange Rates; or, if a liability, on Page 3, Net Adjustment in Assets and Liabilities Due To Foreign Exchange Rates. Refer to *SSAP No. 23—Foreign Currency Transactions and Translations*, for accounting guidance.

Line 23 – Receivables from Parent, Subsidiaries and Affiliates

Include: Unsecured current accounts receivable from parent, subsidiaries and affiliates.

Exclude: Amounts owed due to intercompany tax sharing agreements.

Amounts related to intercompany reinsurance transactions. Report reinsurance between affiliated companies through the appropriate reinsurance accounts.

Loans to affiliates and other related parties that are reported in the appropriate category of Schedule BA.

Affiliated securities which are reported in the appropriate investment schedules (Schedule D or DA).

Refer to *SSAP No. 25—Affiliates and Other Related Parties*, for accounting guidance.

Line 24 – Health Care and Other Amounts Receivable

Include: Bills Receivable – Report any unsecured amounts due from outside sources or receivables secured by assets that do not qualify as investments.

Amounts due resulting from advances to agents or brokers – Refer to *SSAP No. 6—Uncollected Premium Balances, Bills Receivable for Premiums, and Amounts Due From Agents and Brokers*, for accounting guidance.

Health Care Receivables – Include pharmaceutical rebate receivables, claim overpayment receivables, loans and advances to providers, capitation arrangement receivables and risk sharing receivables from affiliated and non-affiliated entities. Refer to *SSAP No. 84—Health Care and Government Insured Plan Receivables* for accounting guidance.

Other amounts receivable that originate from the government under government insured plans. Including **undisputed** amounts over 90 days due that qualify as accident and health contracts are admitted assets. Refer to *SSAP No. 84—Health Care and Government Insured Plans Receivables* and *SSAP No. 50—Classifications of Insurance or Managed Care Contracts* for accounting guidance.

Exclude: Pharmaceutical rebates relating to uninsured plans that represent an administrative fee and that are retained by the reporting entity and earned in excess of the amounts to be remitted to the uninsured plan. These amounts should be reported on Line 17.

Premiums receivable for government insured plans reported on Lines 15.1, 15.2 or 15.3.

Line 25 – Aggregate Write-ins for Other-Than-Invested-Assets

Enter the total of the write-ins listed in schedule Details of Write-ins Aggregated at Line 25 for Other-Than-Invested-Assets.

Details of Write-ins Aggregated at Line 11 for Invested Assets

List separately each category of invested assets for which there is no pre-printed line on Page 2 (and that are not on Schedule BA).

Include: Receivables resulting from the sale of invested assets other than securities.

Exclude: Collateral held on securities lending. In accordance with *SSAP No. 103R—Transfers and Servicing of Financial Assets and Extinguishment of Liabilities*, this collateral should be reported on the appropriate invested asset line or the securities lending line depending on the guidance in SSAP No. 103R.

Details of Write-ins Aggregated at Line 25 for Other-Than-Invested-Assets

List separately each category of assets (other-than-invested-assets) for which there is no pre-printed line on Page 2.

Include: Equities and deposits in pools and associations.

COLI – Report the cash value of corporate owned life insurance including amounts under split dollar plans.

Consideration paid for retroactive reinsurance contract(s). Refer to *SSAP No. 62R—Property and Casualty Reinsurance*.

Other Receivables – Report any other reimbursement due the reporting entity.

Prepaid pension cost and the intangible asset resulting from recording an additional liability with a description of "prepaid pension cost" and "intangible pension asset" respectively. See *SSAP No. 102—Pensions*, for guidance.

Receivables for securities not received within 15 days of the settlement date are classified as other-than-invested-assets and nonadmitted per *SSAP No. 21—Other Admitted Assets*.

For Property/Casualty Companies:

Amounts accrued for reimbursement of high deductible claims paid by the reporting entity. Refer to *SSAP No. 65—Property and Casualty Contracts*, for accounting guidance.

Annuities at their present value purchased to fund future fixed loss payments. Refer to *SSAP No. 65—Property and Casualty Contracts*.

Reinsurance premiums paid by a ceding entity prior to the effective date of the contract. Refer to *SSAP No. 62R—Property and Casualty Reinsurance*, for accounting guidance.

For Life and Health Companies:

Reinsurance premiums paid by a ceding entity prior to the due date. Refer to *SSAP No. 61R—Life, Deposit-Type and Accident and Health Reinsurance*.

For Life, Accident & Health and Fraternal Companies:

Any negative IMR that is nonadmitted.

LIABILITIES, SURPLUS AND OTHER FUNDS

Line 2 – Aggregate Reserves for Accident and Health Contracts (including Modco Reserves)

Include: Accrued return premium adjustments for contracts subject to redetermination.

Line 3 – Liability for Deposit-Type Contracts

Include: Liabilities for contracts that have no mortality or morbidity risk. Refer to *SSAP No. 52—Deposit-Type Contracts*. Report the total amount shown on the Exhibit of Deposit-Type Contracts.

Line 5 – Refunds Due and Unpaid

Include: Certificate refunds contingent on payment of deferred and uncollected premiums.

Line 6 – Provisions for Refunds Payable in Following Calendar Year - Estimated Amounts

Include: Refunds contingent on the payment of renewal premiums.

Line 7 – Premiums and Annuity Considerations For Life and Accident and Health Contracts Received in Advance

Include: Any amount received by the company for payments in advance in accordance with guidance set forth in *SSAP No. 51R—Life Contracts* and *SSAP No. 54R—Individual and Group Accident and Health Contracts*.

Line 8.2 – Other Amounts Payable on Reinsurance Assumed and Ceded

Include: Refunds payable and modified coinsurance reserve increases payable.

Exclude: Commissions and expense allowances payable.

Claims payable.

Line 8.3 – Interest Maintenance Reserve

Report the amount calculated on the Calculating Interest Maintenance Reserve Form, Line 6.

Line 9 – Commissions to Fieldworkers Due or Accrued

Include: Liability for commissions and collection fees due on direct business and commissions due or accrued on deferred commissions contracts.

Liability for commissions and collection fees due on premium notes and loans when paid.

Exclude: Deductions for commissions receivable on reinsurance ceded. These should be included on Page 2, Line 16.3, Column 3.

Liability for commissions due on reinsurance assumed. These should be reported on Page 3, Line 10.

Commissions on nonadmitted uncollected accident and health premiums.

Line 11 – General Expenses Due or Accrued

Include: Expenses not yet incurred but that the reinsurer anticipates will be incurred in connection with accident and health claims and deposit-type funds at year-end.

Unfunded postretirement benefit obligation.

Line 12 – Transfers to Separate Accounts Due or Accrued (Net) (including $__________ accrued for expense allowances recognized in reserves)

Enter the due or accrued net transfer to or (from) the separate accounts statement net of any payable or (receivable) for reinsurance assumed or ceded separate accounts reserve expense allowances. This item should agree with the amount shown parenthetical on Page 3, Line 17 of the Separate Accounts Statement, adjusted for reinsurance assumed or ceded separate accounts reserve expense allowances retained in the ceding company's Separate Accounts Statement. Adjustments for reinsured modified reserve expense allowances should be recorded in this line of the general account statement but should not be recorded in the Separate Accounts Statement.

In the parenthetical portion of the caption, disclose as a negative amount, the excess, if any, of certificate holder account values as appropriate, over modified reserves used in the Separate Accounts Statement, such as the expense allowance provided by the use of CARVM or CRVM net of any reinsured expense allowances.

Exclude from the parenthetical disclosure all other types of accruals, such as accruals for fees and charges.

Line 13 – Taxes, Licenses and Fees Due or Accrued (Net)

Exclude: Any amounts withheld or retained by the company acting as agent for others.

Line 14 – Unearned Investment Income

Report all unearned investment income.

Include: That portion of interest or income from any investment (bond, stock, real estate, etc.) that has been received but not earned as of year-end.

Line 15 – Amounts Withheld or Retained by Society as Agent or Trustee

Include: Employees' FICA and unemployment contributions, withholdings for purchase of savings bonds, taxes withheld at source and other withholdings, as well as amounts held in escrow for payment of taxes, insurance, etc., under F.H.A., or other mortgage loan investments, or held for guarantee of contract performance and any other funds that the reporting entity holds in fiduciary capacity for the account of others (excluding reinsurance funds held).

If, however, a reporting entity has separate bank accounts for exclusive use in connection with employee bond purchases or escrow F.H.A. payments, or other amounts withheld or retained in a similar manner, or other assets deposited to guarantee performance, the related assets should be shown separately on the asset page and extended at zero value, unless such assets are income-producing for the reporting entity, in which case they should be shown both as assets and liabilities in the statement.

Refer to *SSAP No. 67—Other Liabilities* for accounting guidance.

Line 16 – Amounts Held for Fieldworkers' Account

Include: Fieldworkers' Credit Balances as well as any other amounts due or contingently due to fieldworkers (but not commissions, which should be included in Line 10). Do not offset the debit balance of one fieldworker against the credit balance of another.

Line 17 – Remittances and Items Not Allocated

Report a liability for cash receipts that cannot be identified for a specific purpose or, for other reasons, cannot be applied to a specific account when received. Refer to *SSAP No. 67—Other Liabilities* for accounting guidance.

Do not offset credit suspense balances by unrelated debit suspense balances. The latter, to the extent not offset by related liability items, should be entered as a separate item on Page 2.

Line 18 – Net Adjustment in Assets and Liabilities Due to Foreign Exchange Rates

Include: The appropriate exchange differential applied to the excess, if any, of foreign currency Canadian Insurance Operations assets over foreign currency Canadian Insurance Operations liabilities. This method can be used if the Canadian Insurance Operations result in less than 10% of the reporting entity's assets, liabilities and premium. The difference, if an asset, is recorded on Page 2, Line 22, Net Adjustments in Assets and Liabilities Due to Foreign Exchange Rates; or, if a liability, on Page 3, Line 18, Net Adjustments in Assets and Liabilities Due to Foreign Exchange Rates. Refer to *SSAP No. 23—Foreign Currency Transactions and Translations* for accounting guidance.

Line 19 – Liability for Benefits for Employees and Fieldworkers if not Included Above

This item should include all liability for benefits to employees and fieldworkers under an uninsured plan.

Line 20 – Borrowed Money

Report the unpaid balance outstanding at the year-end on any borrowed money plus accrued interest and any unamortized premium or discount (commercial paper, bank loans, notes, etc.).

Include: Interest payable on all debt reported as a liability, approved interest on surplus notes and interest payable on debt reported as a reduction in the carrying value of real estate. Refer to *SSAP No. 15—Debt and Holding Company Obligations* for accounting guidance.

Debt obligations of an employee stock ownership plan by the reporting entity and dividends on unallocated employee stock ownership plan shares. Refer to *SSAP No. 12—Employee Stock Ownership Plans* for accounting guidance.

Exclude: Debt on real estate in accordance with *SSAP No. 40R—Real Estate Investments* (i.e., reported as a reduction in the carrying value of real estate).

Debt offset against another asset in accordance with *SSAP No. 64—Offsetting and Netting of Assets and Liabilities*.

Debt for which treatment is specified elsewhere. Instruments that meet the requirements to be recorded as surplus as specified in *SSAP No. 72—Surplus and Quasi-Reorganizations* are not considered debt.

Debt issuance costs (e.g., loan fees and legal fees).

The value attributable to detachable stock purchase warrants. Report this value as paid-in capital.

Line 21.1 – Asset Valuation Reserve

Report the amount calculated on the Asset Valuation Reserve Form, Line 16, Column 7.

Line 21.2 – Reinsurance in Unauthorized and Certified Companies

Total net amount from Schedule S, Part 4 (Column 8 less Column 15) plus Schedule S, Part 5 (Column 26 x 1000).

Line 21.3 – Funds Held Under Reinsurance Treaties with Unauthorized and Certified Reinsurers

Total amount from Schedule S, Part 4 (Columns 12 and 13) plus Schedule S, Part 5 [(Columns 20 and 21) x 1000)], (other than amounts of letters of credit or trust agreements included therein) to the extent that such funds were included as a part of the total assets on Page 2 of this statement and were not offset by a directly related credit offset on Page 2.

Line 21.4 – Payable to Subsidiaries and Affiliates

A liability is recognized and identified as due to affiliates for expenditures incurred on behalf of the reporting entity by a parent, affiliates or subsidiaries; or for amounts owed through other intercompany transactions. Refer to *SSAP No. 67—Other Liabilities* for accounting guidance.

Include: Unreimbursed expenditures on behalf of the reporting entity by a parent, affiliates or subsidiaries; or amounts owing through other intercompany transactions.

Exclude: Amounts owed due to intercompany tax-sharing agreements.

Amounts related to intercompany reinsurance transactions. Report reinsurance between affiliated companies through the appropriate reinsurance accounts.

Loans from affiliates that are reported as borrowed money. See *SSAP No. 15—Debt and Holding Company Obligations* for accounting guidance.

Refer to *SSAP No. 25—Affiliates and Other Related Parties* for accounting guidance.

Line 21.6 – Funds Held Under Coinsurance

Report the amount of funds withheld from reinsurers under coinsurance treaties other than amounts reported on Line 21.3.

Line 21.7 – Derivatives

Derivative liability amounts shown as credit balances. Should equal Schedule DB, Part D, Section 1, Column 5, Footnote Question 2 times -1. The gross amounts from Schedule DB shall be adjusted to reflect netting from the valid right to offset in accordance with *SSAP No. 64—Offsetting and Netting of Assets and Liabilities*.

Line 21.8 – Payable for Securities

Include: Amounts that are due to brokers when a security has been purchased but has not yet been paid.

Line 21.9 – Payable for Securities Lending

Include Liability for securities lending collateral received by the reporting entity that can be reinvested or repledged.

Line 22 – Aggregate Write-ins for Liabilities

Enter the total of the write-ins listed in schedule Details of Write-ins Aggregated at Line 22 for Liabilities.

Line 24 – From Separate Accounts Statement

Report the total liabilities shown on the company's Separate Accounts Statement.

Line 26 – Aggregate Write-ins for Other than Liabilities and Surplus Funds

Enter the total of the write-ins listed in schedule Details of Write-ins Aggregated at Line 26 for Other Than Liabilities and Surplus Funds.

Line 27 – Surplus Notes

Include: That portion of any subordinated indebtedness, surplus debenture, contribution certificate, surplus note, debenture note, premium income note, bond or other contingent evidence of indebtedness, not included in Line 23 that is a financing vehicle for increasing surplus. Furnish pertinent information concerning conditions of repayment, redemption price, interest features, etc. in the Notes to Financial Statements. Report discount or premium, if any, in the balance sheet as a direct deduction from or addition to the face amount of the note.

Exclude: Surplus notes that are required, or are a prerequisite for, purchasing an insurance contract and are held by the certificate holder.

Cost of issuing surplus notes (e.g., loan fees and legal fees). Charge these amounts to operations when incurred.

Refer to *SSAP No. 41R—Surplus Notes* for accounting guidance.

Line 28 – Aggregate Write-ins for Surplus Funds

Enter the total of the write-ins listed in schedule Details of Write-ins Aggregated at Line 28 for Surplus Funds.

Line 29 – Unassigned Funds (Surplus)

Unassigned funds (surplus) are the undistributed and unappropriated amounts of surplus.

Include: Reductions for unearned employee stock option plan shares.

Amounts for quasi-reorganizations. Refer to *SSAP No. 72—Surplus and Quasi-Reorganizations* for accounting guidance.

Changes in the additional minimum pension liability. Refer to *SSAP No. 102—Accounting for Pensions* for accounting guidance.

Line 30 – Total (including $ ________ in Separate Accounts Statement)

In the parenthetical portion of the caption, disclose the total amount of surplus funds reported on Page 3, Line 21 of the Separate Accounts Statement.

Details of Write-ins Aggregated at Line 22 for Liabilities

List separately each category of liability for which there is no pre-printed line on Page 3.

Include: Uncashed drafts and checks that are pending escheatment to a state.

Interest paid in advance on mortgage loans, rents paid in advance and retroactive reinsurance amounts, if any.

Servicing liabilities as described in *SSAP No. 103R—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*.

Unearned compensation for employee stock option plan, stock options issued and stock purchase and award plans. Refer to *SSAP No. 12—Employee Stock Ownership Plans* and *SSAP No. 104R—Share-Based Payments* for accounting guidance.

Amount recorded as required by the additional minimum liability calculation with a description of "additional pension liability." See *SSAP No. 102—Accounting for Pensions* for guidance.

Amount accrued for the medical loss ratio rebate as provided for in Section 2718(b)(1)(A) of the Public Health Service Act.

Amounts accrued per *SSAP No. 66—Retrospectively Rated Contracts*. Per SSAP No. 66, retrospective premium adjustments shall be estimated based on the experience to date.

Exclude: All voluntary and special contingency reserves, group life contingency reserves, and other special surplus funds not in the nature of liabilities.

Details of Write-ins Aggregated at Line 26 for Other Than Liabilities and Surplus Funds

Enter separately by category the amount of statutory deposits of alien insurers, other than liabilities and special reserves for which there is not a pre-printed line on Page 3, or similar funds with appropriate description. The aggregate amount of all surplus notes required or those that are a prerequisite for purchasing an insurance contract and are held by the certificate holder should be listed as a separate item.

Details of Write-ins Aggregated at Line 2[illegible] for Surplus Funds

Enter separately only voluntary and general contingency reserves and other surplus funds not in the nature of liabilities.

Include: Estimated subsequent year assessment for the federal Affordable Care Act (ACA) Section 9010 fee for the data year reclassified from unassigned surplus. See *SSAP No. 106—Affordable Care Act Section 9010 Assessment* for accounting guidance.

SUMMARY OF OPERATIONS

The purpose of the Summary of Operations is to identify earned income, incurred disbursements, and increase in reserves, (much of which is displayed in the supporting exhibits) in order to calculate net gain from operations for the year. This summary should be completed on the accrual, i.e., earned and incurred basis. Certain items may be either positive or negative and should be entered accordingly. The various investment items of interest, rent, profit and loss, depreciation, appreciation, etc., appearing in the exhibits supporting this summary must check with the data relating to the same transactions as set forth in the appropriate schedules. Profit and loss items must be itemized. The lists of items to be included in the various lines of the Summary of Operations and supporting exhibits are not intended to exclude analogous items that are omitted from the lists.

The results of the reporting entity's discontinued operations and extraordinary items shall be reported consistently with the company's reporting of continuing operations (i.e., no separate line item presentation in the balance sheet or statement of operations aggregating current and future losses from the measurement date).

Lines 1 through 29 should agree to Analysis of Operations by Lines of Business, Lines 1 through 29, Column 1.

Line 1 – Premiums and Annuity Considerations For Life and Accident and Health Contracts

Report premium and annuity considerations for life and accident and health contracts including experience rating refunds, assumed reinsurance and net of reinsurance ceded. Refer to *SSAP No. 50—Classifications of Insurance or Managed Care Contracts*, *SSAP No. 51R—Life Contracts*, *SSAP No. 52—Deposit-Type Contracts*, *SSAP No. 54R—Individual and Group Accident and Health Contracts* for life, accident and health and deposit-type contract definitions, and *SSAP No. 66—Retrospectively Rated Contracts* for experience rating refunds.

Include: Accrued return premium adjustments for contracts subject to redetermination.

Deduct: Premiums and annuity considerations returned (other than cash surrender values) including amounts returned during the year due to rescission of certificates or contract not taken, "free-look" provision, reformation of contract, other contractual return premium provisions, erroneously computed premiums or similar returns.

Exclude: Changes in reserves for experience rating refunds.

Line 2 – Considerations for Supplementary Contracts with Life Contingencies

Include: Proceeds retained at death, disability or upon surrender or maturity of certificate or annuity contract to be settled by a supplementary contract involving life contingencies.

Line 3 – Net Investment Income

Include: Investment income earned from all forms of investment.

Dividends from SCA entities, Joint Ventures, Partnership, and Limited Liability Companies: less investment expenses, taxes (excluding federal income taxes), licenses, fees, depreciation on real estate and other invested assets.

Interest on borrowed money.

Exclude: Capital gains and losses on investments.

Equity in undistributed income or loss of SCA entities, Joint Ventures, Partnerships, and Limited Liability Companies as defined in *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities* and *SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies*.

Line 4 – Amortization of Interest Maintenance Reserve (IMR)

Report the amount calculated on the Form for Calculating Interest Maintenance Reserve, Line 5.

Line 5 – Separate Accounts Net Gain from Operations Excluding Unrealized Gains or Losses

Report the total net gain from operations shown on Page 4, of the Separate Accounts Statement, excluding the portion due to unrealized capital gains or losses. (See instructions for Separate Accounts net gain from operations disclosure.)

Line 6 – Commissions and Expense Allowances on Reinsurance Ceded

Include: Commissions and expense allowances on reinsurance ceded excluding, for group insurance, any portion thereof which represents specific reimbursement of premium taxes and expenses.

Line 7 – Reserve Adjustments on Reinsurance Ceded

Include: Reserve increase received each year from reinsurer on modified coinsurance ceded.

Line 8.1 – Income from Fees Associated with Investment Management, Administration and Contract Guarantees from Separate Accounts

Include: Only fees and charges for investment management, administration and contract guarantees from the Separate Account. This should agree with the Separate Accounts Summary of Operations, line 11, column 1.

Line 8.3 – Aggregate Write-Ins for Miscellaneous Income

Enter the total of the write-ins listed in schedule "Details of Write-ins Aggregate at Line 8.3 for miscellaneous income."

Line 10 – Death Benefits

Exclude: Death benefits under annuity contracts.

Line 11 – Matured Endowments (excluding Guaranteed Annual Pure Endowments)

Exclude: Guaranteed annual pure endowments that do not exceed the annual premium and similar benefits.

Line 12 – Annuity Benefits

Exclude: Matured endowment, disability or surrender benefits under annuity contracts. These should be reported on Lines 11, 13 and 14, respectively.

Line 13 – Disability Benefits and Benefits Under Accident and Health Contracts

Exclude: Amounts attributable to uninsured accident and health plans and the uninsured portions of partially insured plans.

Line 14 – Surrender Benefits and Withdrawals for Life Contracts

Include: All surrender or other withdrawal benefit amounts incurred in connection with contract provisions for surrender or withdrawal.

Exclude: Premium and annuity considerations for life contracts returned deducted on Line 1 in accordance with the instructions for that line.

Withdrawals on deposit-type contracts.

Amounts transferred to premium and annuity considerations, separate account or amounts redeposited.

Line 15 – Interest and Adjustments on Contracts or Deposit-Type Contract Funds

Include: Interest credited to liabilities for funds held on deposit by the company where the deposits, withdrawals or other payments between the certificateholder and the company are recorded as balance sheet transactions, refer to *SSAP No. 51R—Life Contracts* and *SSAP No. 52—Deposit-Type Contracts*.

Change in reserves or other adjustments to deposit-type contracts.

Deduct: Discount on contract proceeds paid in advance.

Line 17 – Increase in Aggregate Reserve for Life and Accident and Health Contracts

Include: Any deficiency reserves.

Exclude: Any increase in reserves on account of change in valuation basis.

Line 19 – Commissions on Premiums, Annuity Considerations and Deposit-Type Contract Funds (Direct Business Only)

Include: Collection or service fees, contract, membership and other fees, and commuted renewal commissions.

Exclude: Commissions on reinsurance either assumed or ceded.

Line 20 – Commissions and Expense Allowances on Reinsurance Assumed

Include: Commissions and expense allowances on reinsurance assumed excluding, for group insurance, any portion thereof which represents specific reimbursement of premium taxes and expenses.

Line 21 – General Insurance Expenses and Fraternal Expenses

Enter the sum of Columns 1, 2, 3, 4 and 6, Line 10 of Exhibit 2. Refer to *SSAP No. 70—Allocation of Expenses* for accounting guidance.

Line 22 – Insurance Taxes, Licenses and Fees

Report all insurance taxes, licenses and fees, net of reinsurance ceded.

Line 24 – Net Transfers To or (From) Separate Accounts Net of Reinsurance

Include: The amount of decrease or (increase), if any, in the excess of certificateholder account values as appropriate, over modified reserves such as the expense allowance provided by the use of CARVM for CRVM included in Line 12, "Transfers to Separate Accounts Due or Accrued" on the Liabilities Page of the General Account Statement and reported in Line 9.2, "Change in Expense Allowances Recognized in Reserves" on the Summary of Operations page, of the Separate Accounts Statement, such excess or expense allowance must be reported as a transfer to the general account.

The change in reinsured expense allowances held in the Separate Accounts Statement of the ceding company.

Exclude: Income from fees associated with investment management, administration and contract guarantees from Separate Accounts. Report such amounts as income from fees associated with investment management, administration and contract guarantees from Separate Accounts on Line 8.1.

Line 25 – Aggregate Write-ins for Deductions

Enter the total of the write-ins listed in schedule "Details of Write-ins Aggregated at Line 25 for Deductions."

Line 28 – Refunds to Members

Include: Refunds to members, net of reinsurance ceded.

Line 30 – Net Realized Capital Gains/(Losses)

Include: Realized investment related foreign exchange gains/(losses).

Exclude: Unrealized gains/(losses) on investments.

The realized capital gains/(losses) transferred to the IMR.

SURPLUS ACCOUNT

The purpose of the Surplus Account is to delineate certain charges and credits not included in operations such as net capital gains and items pertaining to prior years and to reconcile the change in unassigned funds and special reserves account during the year.

Line 33 – Net Income from Operations

Net income from operations after member refunds and realized capital gains/(losses) on investments.

Line 34 – Change in Net Unrealized Capital Gains/(Losses) Less Capital Gains Tax of $________

Include: Equity in undistributed income or loss of SCA Entities, Joint Ventures, Partnerships, and Limited Liability Companies as defined in *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities* and *SSAP No. 48 Joint Ventures, Partnerships and Limited Liability Companies*.

Exclude: Realized capital gains/(losses).

Line 35 – Change in Net Unrealized Foreign Exchange Capital Gain (Loss)

Include: Unrealized investment related foreign exchange gains/(losses).

Exclude: Realized investment foreign exchange gains/(losses).

Refer to *SSAP No. 23—Foreign Currency Transactions and Translations* for accounting guidance.

Line 36 – Change in Nonadmitted Assets

Equals the amount on the Exhibit of Nonadmitted Assets, Line 28, Column 3.

Line 37 – Change in Liability for Reinsurance in Unauthorized and Certified Companies

Report the change between years from the Liabilities, Surplus and Other Funds page, Reinsurance in Unauthorized and Certified Companies line.

Line 38 – Change in Reserve on Account of Change in Valuation Basis, (Increase) or Decrease

Column 1 should equal (Exhibit 5A, Line 9999999, Column 4) x – 1.

Include: All reserve strengthening commitments of a permanent nature.

Exclude: Any deficiency reserves.

Line 39 – Change in Asset Valuation Reserve

Report the amount calculated on (Page 26, Lines 2 + 3 + 4 + 5 – 6 – 7 + 11 + 14 – 15, Column 7) x –1.

Line 40 – Surplus (Contributed to) Withdrawn from Separate Accounts During Period

Include: All seed monies (contributed to) or withdrawn from accounts maintained in the Separate Accounts Statement and any accumulated profits withdrawn from the Separate Accounts Statement.

Report amounts contributed as negative amounts in this line.

Line 41 – Other Changes in Surplus in Separate Accounts Statement

Report the total change in surplus in the Separate Accounts Statement excluding the amount of change resulting from the net gain from operations in the Separate Accounts Statement as reported on Line 5 of the General Account Statement. Include the change, if any, due to net contributions or withdrawals of surplus between the Separate Accounts Statement and the General Account Statement. This will offset the general account impact of such transactions which should be recorded appropriately in Line 45, "Aggregate Write-ins for Gains and Losses in Surplus" of the General Account Statement but which does not change the aggregate surplus of the company.

Line 43 – Cumulative Effect of Changes in Accounting Principles

Exclude: Corrections of errors in previously issued financial statements. Corrections of errors should be reported on Line 45, Aggregate Write-ins for Gains and Losses in Surplus.

Changes in accounting estimates. A change in an accounting estimate should be included in the Summary of Operations.

Line 44 – Change in Surplus as a Result of Reinsurance

Report net increases and decreases in surplus from reinsurance ceded and reinsurance assumed in accordance with the accounting guidance described in *SSAP No. 61—Life, Deposit-Type and Accident and Health Reinsurance*, *SSAP No. 72—Surplus and Quasi-Reorganization* and Appendix A-791.

Line 45 – Aggregate Write-ins for Gains and Losses in Surplus

Enter the total of write-ins listed in schedule "Details of Write-ins Aggregated at Line 45 for Gains and Losses in Surplus."

Details of Write-ins Aggregated at Line 8.3 for Miscellaneous Income

List separately each category of miscellaneous income for which there is no pre-printed line on Page 4.

Include: Net realized foreign exchange gains/(losses) not related to investments. Refer to *SSAP No. 23—Foreign Currency Transactions and Translations* for accounting guidance.

Amounts reported in Exhibit 2, Lines 3.11 and 3.12 for self-administered plan not reported in Exhibit 1.

Interest due from ceding reinsureds on funds held by the ceding company on behalf of the reporting entity (assuming entity).

Other sundry receipts and adjustments not reported elsewhere.

Gains/losses on fixed assets.

Exclude: Investment foreign exchange gains/losses.

Details of Write-ins Aggregated at Line 25 for Deductions

List separately each category of deduction for which there is no pre-printed line on Page 4.

Report the amount from the Form For Calculating the Interest Maintenance Reserve, Line 3.

Include: Fines and penalties of all regulatory authorities (not just the insurance regulatory authority) that should be shown here as a separate item.

As an expense, interest due or payable to assuming reinsurers on funds held by the reporting insurer.

Reserve adjustment on modified coinsurance assumed.

Exclude: Expenses to be recorded on a specific line on Exhibit [illegible] or on Exhibit 2, Line 9.3 – Aggregate Write-ins for Expenses, e.g., general insurance expenses and other expenses.

Details of Write-ins Aggregated at Line 45 for Gains and Losses in Surplus

Report separately any other changes to surplus not included above, including amounts received for subordinated surplus debentures.

Include: Initial transition obligation for unfunded postretirement benefit obligation, if a company elects to immediately recognize such obligation.

Corrections of errors in previously issued financial statements.

(Charges) or credits for extraordinary amounts of expenses paid or accrued in prior years.

(Charges) or credits for investment reserves other than AVR.

Changes in the additional minimum pension liability. Refer to *SSAP No. 102—Accounting for Pensions* for accounting guidance.

Exclude: Cumulative effect of changes in accounting principles. The effect of changes in accounting principles should be reported on Line 43, "Cumulative effect of changes in accounting principles".

Changes in accounting estimates. A change in accounting estimate should be included in the Summary of Operations.

CASH FLOW

The Statement of Cash Flow is prepared using the direct method consistent with the Summary of Operations, excluding the effect of current and prior year accruals. All revenue, expenditure, purchases and sale transactions involving cash should be entered gross. Pursuant to *SSAP No. 69—Statement of Cash Flow* for purposes of the Cash Flow Statement, cash is defined to include cash, cash equivalents and short-term investments. Refer to *SSAP No. 69—Statement of Cash Flow* for accounting guidance about disclosure of non-cash operating, investing and financing transactions.

The following worksheets are provided to facilitate completion of the Cash Flow Statement. The format reflects common reporting practices. Reporting entities may need to make adjustments to various lines consistent with their operations. For example, changes in the asset for foreign exchange rates is typically associated with the investment portfolio and shown as an adjustment to investment income. Alternatively, the adjustment could be made to insurance operations if appropriate. The Worksheets exclude certain non-cash activities; (e.g., change in nonadmitted assets and change in Asset Valuation Reserve for Life and Fraternal companies), since the offset is to surplus and has no effect on cash, but adjustments are needed to remove other non-cash transactions. While the Worksheets do not take into account the cumulative effect of changes in accounting principles, the appropriate lines of the Cash Flow Statement need to be adjusted for the change. Note that the Worksheets are designed to take into account all lines of the Assets and Liabilities, Surplus and Other Funds pages, as well as the Summary of Operations.

Cash from Operations Worksheet

Ref. #	**Premiums Collected Net of Reinsurance**	
1.1	Summary of Operations (Page 4) Line 1 + 2 – 23, current year	________
1.2	Assets (Page 2) Line 15 + 16.2 (<u>In part</u> for amounts related to earned premiums) + 16.3 (<u>In part</u> for experience rating and other amounts related to earned premiums), Column 1, current year less previous year	________
1.3	Liabilities (Page 3) Line 7, current year less previous year	________
1.4	________________________________	________
1.5	Total of 1.1 – 1.2 + 1.3 + 1.4 (Report on Line 1 of the Cash Flow)	________
	Net Investment Income	
2.1	Summary of Operations (Page 4) Line 3, current year	________
2.2	Assets (Page 2) Line 14 + 22, Column 1, current year less previous year	________
2.3	Liabilities (Page 3) Line 11 (<u>In part</u> for investment related expenses) + 14 + 18, current year less previous year	________
2.4	Amortization of Premium from Investment Worksheet B8 + S8 + M9 + O9	________
2.5	Accrual of Discount from Investment Worksheet B9 + S9 + M5 + O5	________
2.6	Depreciation Expense (included in 2.1)	________
2.7	________________________________	________
2.8	Total of 2.1 – 2.2 + 2.3 + 2.4 – 2.5 + 2.6 + 2.7 (Report on Line 2 of the Cash Flow)	________

Miscellaneous Income

3.1 Summary of Operations (Page 4) Line 5 + 6 + 8, current year ____________

3.2 Assets (Page 2)

Line 16.2 (In part for all amounts not reported in line 1.2 above) + 16.3 (In part for all amounts not reported in line 1.2 above or 7.2 below), Column 1, current year less previous year ____________

3.3 ____ ____________

3.4 Total of 3.1 – 3.2 + 3.3 (Report on Line 3 of the Cash Flow) ____________

Benefit and Loss Related Payments

5.1 Summary of Operations (Page 4)

Line 18 – 38 – 7, current year ____________

5.2 Assets (Page 2)

Line 16.1, Column 1, current year less previous year ____________

5.3 Liabilities (Page 3)

Line 1 + 2 + 4 + 8.1 – 8.2, current year less previous year ____________

5.4 ____ ____________

5.5 Total of 5.1 + 5.2 – 5.3 + 5.4 (Report on Line 5 of the Cash Flow) ____________

Net Transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts

6.1 Summary of Operations (Page 4)

Line 24, current year ____________

6.2 Liabilities (Page 3)

Line 12, current year less previous year ____________

6.3 ____ ____________

6.4 Total of 6.1 – 6.2 + 6.3 (Report on Line 6 of the Cash Flow) ____________

Commissions, Expenses Paid and Aggregate Write-ins for Deductions

7.1 Summary of Operations (Page 4)

Line 19 + 20 +21 + 22 + 25, current year ____________

7.2 Assets (Page 2)

Column 1, current year less previous year (N/A for Fraternal)

7.3 Liabilities (Page 3)

Line 9 + 10 + 11 (In part for amount not included in Line 2.3 above, i.e., non-investment expenses) + 13, current year less previous year ____________

7.4 Depreciation Expense (included in 7.1) ____________

7.5 ____________________ ____________

7.6 Total of 7.1 + 7.2 – 7.3 – 7.4 + 7.5 (Report on Line 7 of the Cash Flow) ____________

Refunds to Members

8.1 Summary of Operations (Page 4)

Line 28, current year ____________

8.2 Liabilities (Page 3)

Line 5 + 6.1 + 6.2, current year less previous year ____________

8.3 ____________________ ____________

8.4 Total of 8.1 – 8.2 + 8.3 (Report on Line 8 of the Cash Flow) ____________

Cash from Investments Worksheet

The following section provides a reconciliation of investment activity. Although non-cash items are included for reconciliation purposes, the Statement of Cash Flow shall only include transactions involving cash. In addition to excluding the lines that are explicitly non-cash items (e.g., change in admitted assets) from what is reported in the Statement of Cash Flow, adjustments are necessary to remove non-cash acquisitions or disposals. Cash proceeds from investments sold, matured or repaid shall be included in Line 12. Cash remitted for acquired long-term investments is included in Line 13.

Bonds

B1 Change in net admitted asset value for Bonds (Page 2)

Column 3 current less previous year ______

B2 Change in assets nonadmitted for Bonds (Page 2)

Column 2 current less previous year ______

B3 Sum of B1 + B2 ______

B4 Cost of Acquired

Line 2 Schedule D-Verification Between Years, In part for cash acquisition of bonds (Report on Line 13.1 of the Cash Flow) ______

B5 Calculate from Schedule D-Verification Between Years

	Line 4	Unrealized Valuation Increase (Decrease), In part
Plus	Line 8	Total Foreign Exchange Change in Book/Adjusted Carrying Value, In part
Minus	Line 9	Current Year's Other-Than-Temporary Impairment, In part

______

B6 Total Gain (Loss) on Disposals

Line 5 Schedule D-Verification Between Years, In part ______

B7 Consideration on Disposals

Line 6 Schedule D-Verification Between Years, In part for cash disposal of bonds (Report B7 minus B10 on Line 12.1 of the Cash Flow) ______

B8 Amortization of Premium

Line 7 Schedule D-Verification Between Years, In part ______

B9 Accrual of Discount

Line 3 Schedule D-Verification Between Years, In part ______

B10 Total Investment Income Recognized as a Result of Prepayment Penalties and/or Acceleration Fees

Line 10 Schedule D-Verification Between Years, In part for cash received for investment income recognized ______

B11 Other amount increases/(decreases)

Include non-cash items not already included in B4 through B10 ______

B12 Total of B4 + B5 + B6 – B7 – B8 + B9 + B10 + B11 ______________

B3 – B12 (If difference is not = 0, identify differences and add to amount(s) in the appropriate line(s) or in B11) 0

Stocks

S1 Change in net admitted asset value for Stocks (Page 2)

Column 3 current less previous year ______________

S2 Change in assets nonadmitted for Stocks (Page 2)

Column 2 current less previous year ______________

S3 Sum of S1 + S2 ______________

S4 Cost of Acquired

Line 2 Schedule D-Verification Between Years, In part for cash acquisition of stocks (Report on Line 13.2 of the Cash Flow) ______________

S5 Calculate from Schedule D-Verification Between Years

Line 4 Unrealized Valuation Increase (Decrease), In part
Plus Line 8 Total Foreign Exchange Change in Book/Adjusted Carrying Value, In part
Minus Line 9 Current Year's Other-Than-Temporary Impairment, In part ______________

S6 Total Gain (Loss) on Disposals

Line 5 Schedule D-Verification Between Years, In part ______________

S7 Consideration on Disposals

Line 6 Schedule D-Verification Between Years, In part for cash disposal of stocks (Report on Line 12.2 of the Cash Flow) ______________

S8 Amortization of Premium

Line 7 Schedule D-Verification Between Years, In part ______________

S9 Accrual of Discount

Line 3 Schedule D-Verification Between Years, In part ______________

S10 Other amount increases/(decreases)

Include non-cash items not already included in S4 through S9 ______________

S11 Total of S4 + S5 + S6 – S7 – S8 + S9 + S10 ______________

S3 – S11 (If difference is not = 0, identify differences and add to amount(s) in the appropriate line(s) or in S10) 0

Reconciliation of Bonds and Stocks to Schedule D – Verification Between Years

B4 + S4 = Line 2, Cost of Bonds and Stocks acquired

B5 + S5 = Line 4, Unrealized Valuation Increase (Decrease) + Line 8, Total Foreign Exchange Change in Book/Adjusted Carrying Value – Line 9, Current Year's Other-Than-Temporary Impairment

B6 + S6 = Line 5, Total Gains (Losses)

B7 + S7 = Line 6, Consideration for Bonds and Stocks Disposed of

Mortgage Loans

M1 Change in net admitted asset value for Mortgages

Page 2, Column 3, current year less previous year

M2 Change in assets nonadmitted for Mortgages

Page 2, Column 2, current year less previous year

M3 Total of M1 + M2

Schedule B – Verification Between Years

M4 Line 2 Cost of Acquired, In part for cash acquisitions (Report on Line 13.3 of the Cash Flow)

M5 Line 4 Accrual of Discount

M6		Line 5	Unrealized Valuation Increase (Decrease)
	Plus	Line 9	Total Foreign Exchange Change in Book/Adjusted Carrying Value
	Minus	Line 10	Current Year's Other-Than-Temporary Impairment
M7	Line 6	Total Gain (Loss) on Disposals	
M8	Line 7	Amount Received on Disposals, In part for cash disposals (Report on Line 12.3 of the Cash Flow)	
M9	Line 8	Amortization of Premium and Mortgage Interest Points and Commitment Fees	

M10 Other amounts increases (decreases)

Include non-cash items not already included in M4 through M9

M11 Total of M4 + M5 + M6 + M7 – M8 – M9 + M10

M3 – M11 (If difference is not = 0, identify difference and add to amount(s) in the appropriate line(s) or in M10) 0

Real Estate

R1 Change in net admitted asset value for Real Estate

Page 2, Column 3, current year less previous year

R2 Change in assets nonadmitted for Real Estate

Page 2, Column 2, current year less previous year

R3 Total of R1 + R2

Schedule A – Verification Between Years

R4		Line 6	Total Foreign Exchange Change in Book/Adjusted Carrying Value	
	Minus	Line 7	Current Year's Other-Than-Temporary Impairment	
	Minus	Line 8	Current Year's Depreciation	__________
R5		Line 2.1	Cost of Acquired, In part for cash acquisitions	
	Plus	Line 2.2	Cost of Additional Investments Made, In part for cash investments	
	Plus	Line 3	Current Year Change in Encumbrances, In part for cash changes	__________

(Report the sum of Lines 2.1, 2.2 and 3 on Line 13.4 of the Cash Flow)

R6	Line 4	Total Gain (Loss) on Disposals	__________
R7	Line 5	Amounts Received on Disposals, In part for cash disposals (Report on Line 12.4 of the Cash Flow)	__________
R8	Other amounts increases (decreases)		
		Include non-cash items not already included in R4 through R7	__________
R9	Total of R4 + R5 + R6 – R7 + R8		__________
	R3 – R9	(If difference is not = 0, identify differences and add to amount(s) in the appropriate line(s) or in R8)	0

Other Invested Assets

O1	Change in net admitted asset value for Other Invested Assets (Page 2)		
		Column 3 current less previous year	__________
O2	Change in assets nonadmitted for Other Invested Assets (Page 2)		
		Column 2 current less previous year	__________
O3	Total of O1 + O2		__________

Schedule BA – Verification Between Years

O4	Line 2		Cost of Acquisition, In part for cash acquisitions (Report on Line 13.5 of the Cash Flow)	__________
O5	Line 4		Accrual of Discount	__________
O6		Line 5	Unrealized Valuation Increase (Decrease)	
	Plus	Line 9	Total Foreign Exchange Change in Book/Adjusted Carrying Value	
	Minus	Line 10	Current Year's Other-Than-Temporary Impairment	__________
O7	Line 6		Total Gain (Loss) on Disposals	__________
O8	Line 7		Amounts Received on Disposals, In part for cash disposals (Report on Line 12.5 of Cash Flow)	__________
O9	Line 8		Amortization of Premium and Depreciation	__________
O10	Other amounts increases (decreases)			
			Include non-cash items not already included in O4 through O9	__________
O11	Total of O4 + O5 + O6 + O7 – O8 – O9 + O10			__________
	O3 – O11		(If difference is not = 0, identify differences and add to amount(s) in the appropriate line(s) or in O10)	0

Contract Loans and Premium Notes

P1 Change in net admitted asset value for Contract Loans and Premium Notes (Page 2)

Column 3 current less previous year

P2 Change in assets nonadmitted for Contract Loans and Premium Notes (Page 2)

Column 2 current less previous year

P3 Total of P1 + P2

P4 Increase (Decrease) by Adjustment

P5 Net Increase (Decrease) in Amount Paid and Received

(Report on Line 14 of the Cash Flow)

P6 Realized Gain (Loss)

P7 Other amount increases (decreases)

Include non-cash items not already included in P4 through P6

P8 Total of P4 + P5 + P6 + P7

P3 – P8 (If difference is not = 0, identify differences and add to amount(s) in the appropriate line(s) or in P7) 0

Derivatives, Securities Lending Reinvested Collateral and Aggregate Write-ins for Invested Assets

W1 Change in net admitted asset value for Derivatives, Securities Lending Reinvested Collateral and Aggregate Write-ins for Invested Assets (Page 2)

	Column 3	Line 7	current year less previous year
Plus	Column 3	Line 10	current year less previous year
Plus	Column 3	Line 11	current year less previous year

W2 Change in assets nonadmitted for Derivatives, Securities Lending Reinvested Collateral and Aggregate Write-ins for Invested Assets (Page 2)

	Column 2	Line 7	current year less previous year
Plus	Column 2	Line 10	current year less previous year
Plus	Column 2	Line 11	current year less previous year

W3 Total of W1 + W2

W4 Increase (Decrease) by Adjustment

W5 Net Increase (Decrease) in Amounts Paid and Received (Report as cash from investments misc. on Line 12.7 if amount is a decrease and Line 13.6 if amount is an increase

W6 Realized Gain (Loss)

W7 Other amounts increases (decreases)

Include non-cash items not already included in W4 through W6

W8 Total of W4 + W5 + W6 + W7

W3 – W8 (If difference is not = 0, identify differences and add to amount(s) in the appropriate line(s) or in W7) 0

Receivable (Payable) for Securities

X1	Change in net admitted asset value for Receivable for Securities	
	(Page 2, Column 3, current year less previous year)	
X2	Change in assets nonadmitted for Receivable for Securities	
	(Page 2, Column 2, current year less previous year)	
X3	Net change in Payable for Securities (Page 3, Column 1 less Column 2)	
X4	Total of X1 + X2 – X3 (Report absolute value as cash from investments misc. on Line 12.7 if amount is a decrease and Line 13.6 if amount is an increase	

Reconcile Change in IMR Liability (Life and Fraternal Companies Only)

1	Change in IMR liability	
	(Page 3, Line 8.3, current year less previous year)	
2	Current period amounts transferred to IMR (primarily from Form for Calculating the IMR, Line 2)	
3	Current period amounts recognized in income	
	Summary of Operations (Page 4) Line 4	
4	Other amounts increases (decreases)	
5	Total of 2 – 3 + 4	
6	1 – 5 (If difference is not = 0, identify differences and add to amount(s) in the appropriate line(s) or in Line 4)	0

Reconcile Change in AVR liability (Life and Fraternal companies only)

1	Change in AVR liability	
	(Page 3, Line 21.1, current year less previous year)	
2	Current period amounts transferred to AVR	
	(Page 4, Line 39)	
3	Other amounts increases (decreases)	
4	Total of 2 + 3	
5	1 – 4 (If difference is not = 0, identify differences and add to amount(s) in the appropriate line(s) or in Line 3)	0

Reconcile Unrealized Capital Gains (Losses)

1 Surplus Account (Page 4)

Line 34 + 35, current year __________

2 Increase (Decrease) by Adjustment from Investment Worksheet

(Ref. # B5 + S5 + M6 + R4 + O6 + P4 + W4) __________

3 Increase (Decrease) on Cash, Cash Equivalents and Short-term Investments

(Report on Line 12.6 of the Cash Flow) __________

4 Depreciation (included in Line 2 and reported on Line 2.6 of Cash from Operations Worksheet) __________

5 Total of 1 – 2 – 3 – 4

(Amount should = 0, if not = 0 balance should be reported as cash from investments misc. on Line 12.7 if amount is an increase and Line 13.6 if amount is a decrease) 0

Reconcile Realized Capital Gains (Losses)

1 Summary of Operations (Page 4) Line 30, current year before transfer to IMR and before taxes __________

2 Realized Gain (Loss) from Investment Worksheet

(Ref. # B6 + S6 + M7 + R6 + O7 + P6 + W6) __________

3 Gain (Loss) on Cash, Cash Equivalents and Short-term Investments

(Report on Line 12.6 of the Cash Flow) __________

4 Total of 1 – 2 – 3

(Amount should = 0, if not = 0 balance should be reported as cash from investments misc. on Line 12.7 if amount is an increase and Line 13.6 if amount is a decrease) 0

Cash from Financing Worksheet

These lines calculate Line 16 of the Cash Flow.

Cash Provided (Applied):

Surplus Notes, Capital Notes

1.1 Change in Surplus Notes

Liabilities (Page 3) Line 27, current year less previous year __________

1.2 Change in Capital Notes

Liabilities (Page 3) current year less previous year (N/A for Fraternal)

1.3 ____________________ __________

1.4 Total of 1.1 + 1.2 + 1.3 (Report on Line 16.1 of the Cash Flow) __________

Capital and Paid in Surplus, Less Treasury Stock (N/A for Fraternal)

2.1	Change in Capital	
	Liabilities, Surplus (Page 3) current year less previous year	(N/A for Fraternal)
2.2	Change in Paid in Surplus	
	Liabilities (Page 3) current year less previous year	(N/A for Fraternal)
2.3	Change in Treasury Stock	
	Liabilities, Surplus (Page 3) current year less previous year	(N/A for Fraternal)
2.4	Transfer from Unassigned Surplus to lines included in 2.1 or 2.2	(N/A for Fraternal)
2.5	____________________	(N/A for Fraternal)
2.6	Total of 2.1 + 2.2 – 2.3 – 2.4 + 2.5 (Report on Line 16.2 of the Cash Flow)	(N/A for Fraternal)

Borrowed Money

3.1	Change in Borrowed Money – Liabilities	
	(Page 3) Line 20, current year less previous year	________
3.2	____________________	________
3.3	Total of 3.1 + 3.2 (report on Line 16.3 of the Cash Flow)	________

Net Deposits on Deposit-type Contracts and Other Insurance Liabilities

4.1	Change in Deposit-type Contracts	
	Liabilities, Surplus (Page 3) Line 3, current year less previous year	________
4.2	____________________	________
4.3	Total of 4.1 + 4.2 (Report on Line 16.4 of the Cash Flow)	________

Dividends to Stockholders (N/A for Fraternals)

5.1	Dividends to Stockholders	
	Capital and Surplus Account (Page 4)	(N/A for Fraternal)
5.2	Change in Dividends to Stockholders	
	Liabilities, Surplus (Page 3) current year less previous year	(N/A for Fraternal)
5.3	Total of 5.1 – 5.2 (Report on Line 16.5 of the Cash Flow)	(N/A for Fraternal)

Other Cash Provided (Applied)

6.1 Aggregate Write-ins for Gains (Losses) to Surplus

Capital and Surplus Account (Page 4) Lines 44 and 45 __________

6.2 Change in Misc. Liabilities

Liabilities, Surplus (Page 3) Lines 15 + 16 + 17 + 19 + 21.3 to 21.7 + 21.9 + 22 + 26 + 28, current year less previous year __________

6.3 Change in Misc. Assets

Assets (Page 2) Lines 20 + 21 + 23 − 24 (In part for amounts not included elsewhere) + 25 (In part for amounts not included elsewhere), Column 1, current year less previous year __________

6.4 Transfer from Unassigned Surplus to lines included in 6.2 __________

6.5 Depreciation (included on Line 7.4 from Operations Worksheet) __________

6.6 ____________________ __________

6.7 Total of 6.1 + 6.2 – 6.3 – 6.4 + 6.5 + 6.6 (Report on Line 16.6 of the Cash Flow) __________

Reconcile Change in Liability in Reinsurance in Unauthorized and Certified Companies

1 Change in Liability for Reinsurance in Unauthorized and Certified Companies

Capital and Surplus Account (Page 4) Line 27 __________

2 Change in Liability for Reinsurance in Unauthorized and Certified Companies

Liabilities, Surplus (Page 3) Line 21.[illegible] current year less previous year __________

3 Total of 1 + 2

(Amount should = 0, if not = 0 balance should be reported as an adjustment to the appropriate line on the Cash Flow Statement) 0

Reconcile NonadmittedAssets

1 Surplus Account

Page 4 Line 36, current year __________

2 Change in nonadmitted

Page 2, Column 2 Total, current year less previous year __________

3 Other adjustments __________

4 Total of 1 + 2 + 3

(Amount should = 0, if not = 0, balance should be reported as cash from financing on Line 16.6) 0

Reconcile Change in Accounting

Surplus Account (Page 4) Line 43, current year ____________

Allocate all amounts due to change in accounting to the appropriate section of the worksheet

Supplemental Disclosure of Non-cash Transactions

Report the amount of non-cash operating, investing and financing transactions consistent with the classifications contained on the Assets and Liabilities, Surplus and Other Funds (all except Health) Liabilities, Capital and Surplus (Health) page of the financial statement, excluding amounts associated with policy or contract loans. Refer to *SSAP No. 69 – Statement of Cash Flow* for accounting guidance.

Examples of non-cash investing and financing transactions include:

- Receiving non-cash financial assets from parent as a capital contribution.
- Settling reinsurance transactions with exchange of non-cash financial assets.
- Converting debt to equity.
- Acquiring assets by assuming directly related liabilities, such as purchasing a building by incurring a mortgage to the seller.
- Exchanging non-cash assets or liabilities for other non-cash assets or liabilities.

Illustration:

The Company reported the following non-cash operating, investing and financing activities in 20___:

		Current Year	Prior Year
20.0001.	Real estate acquired in satisfaction of debt	XXX	XXX
20.0002.	Bonds & stocks acquired in a business acquisition	XXX	XXX
20.0003.	Policy reserves acquired in a business acquisition	XXX	XXX
20.0004.	Bonds acquired from parent as a capital contribution	XXX	XXX
20.0005.	Remitted bonds to settle assumed reinsurance obligations	XXX	XXX

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Analysis Operation by
LOB & Analysis Increase
in Reserves

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

The figures for the total Column 1 are identical to those in Summary of Operations, Page 4, Column 1. This analysis must be completed for the following lines of business regardless of the separation of funds or accounts required by the by-laws of the company: Life Insurance, Individual Annuities, Supplementary Contracts and Accident and Health.

A company shall not omit the columns for any lines of business in which it is not engaged.

Companies operating on a one-fund basis may, at their option, omit the use of Columns 8 and/or 9 in which case fraternal and/or general expense disbursements in Lines 19, 21, 22, 23 and 25 must be distributed appropriately by line of insurance in Columns 2 through 6.

Riders/Endorsements/Floaters:

> If a rider, endorsement or floater acts like a separate policy with separate premium, deductible and limit, and has benefits that are not tied to the value or benefits of the underlying contract, then it is to be recorded on the same line of business as if it were a stand-alone policy regardless of whether it is referred to as a rider, endorsement or floater. Otherwise, the rider, endorsement or floater should be reported on the same line of business as the base policy. Include incidental benefits such as total and permanent disability (including both waivers of premium and disability income benefits), accidental death benefits, accidental death and dismemberment benefits, etc., in the same lines of business as the contracts with which they are associated.

Column 5 – Accident and Health

Include: All Medicare Part D Prescription Drug Coverage, whether sold on a stand-alone basis or through a Medicare Advantage product and whether sold directly to an individual or through a group.

Column 6 – Aggregate of All Other Lines of Business

A company that is engaged in one or more insurance businesses (other than life business, e.g., workers' compensation) that cannot be reported in Columns 2 through 5 on Page 6 shall add the amounts for each additional line of business and shall enter the total in Column 6.

Include: On Line 3, investment income attributable to capital, gross paid in and contributed surplus and unassigned funds (Corporate Account).

Line 4 – Amortization of the Interest Maintenance Reserve

Report the amount shown on Page 4, Line 4 and on Page 25, Line 5.

Allocate the amortization of the Interest Maintenance Reserve in the same manner that investment income would have been allocated had the investment not been sold.

Line 8.1 – Fees associated with Income from Investment Management, Administration and Contract Guarantees from Separate Accounts

Include: Gross amount of fees and charges from Separate Accounts.

Line 8.2 – Charges and Fees for Deposit-Type Contracts

Include: All charges and fees for deposit-type contracts. The amount should agree with the Exhibit 7, Deposit-Type Contracts, Lines 5 and 6, Column 1.

Line 8.3 – Aggregate Write-ins for Miscellaneous Income

Enter the total of the write-ins listed in schedule "Details of Write-ins Aggregated at Line 8.3 for Miscellaneous Income."

Line 11 – Matured Endowments (excluding Guaranteed Annual Pure Endowments)

Include: In Column 5, all amounts under all accident and health contracts.

Line 21 – General Insurance Expenses and Fraternal Expenses

Column 5 should agree with Schedule H, Part 1, Line 4 + Line 8, Column 1.

Line 22 – Insurance Taxes, Licenses and Fees

Column 5 should agree with Schedule H, Part 1, Line 9, Column 1.

Line 25 – Aggregate Write-ins for Deductions

Enter the total of the write-ins listed in schedule "Details of Write-ins Aggregated at Line 25 for Deductions."

Line 28 – Refunds to Members

Column 5 should agree with Schedule H, Part 1, Line 13, Column 1.

Details of Write-ins Aggregated at Line 8.3 for Miscellaneous Income

List separately each category of Miscellaneous Income for which there is no pre-printed line on Analysis of Operations by Lines of Business.

Details of Write-ins Aggregated at Line 25 for Deductions

List separately each category of Deductions for which there is no pre-printed line on Page 6.

Include: Report the amount from Page 25 the Form For Calculating the Interest Maintenance Reserve, Line 3.

INSTRUCTIONS FOR ALLOCATION OF RECEIPTS AND EXPENSES

SECTION A – PURPOSE

For the purpose of making a suitable and equitable allocation of receipts and expenses as between: (1) lines of business, (2) investment expense and insurance expense, and (3) affiliated or associated companies, reporting entities shall observe the standards and rules hereinafter prescribed.

The primary objective of these instructions is to establish principles (i.e., standards) for allocation of receipts and expenses by reporting entities. It is recognized that the choice of methods employed by any reporting entities of necessity will be dictated by conditions peculiar to its size, mode of operation, and the classes of business that it writes. Recognition thus is given to the existence of systems of cost analysis that have been developed by reporting entities as a part of overall programs for control of expenses and for other collateral purposes, including the allocation of receipts and expenses by lines of business.

SECTION B – DEFINITIONS

Wherever used in these instructions, the following terms shall have the respective meanings hereinafter set forth or indicated, unless the context otherwise requires:

LINE OF BUSINESS

Has the meaning assigned to it by Section C.

DEPARTMENT

Means any administrative unit, such as a division, bureau, section, team or branch office used in departmental cost analysis or under a cost center concept.

OPERATING DEPARTMENT

Means an organizational unit directly engaged in production or servicing of policies, or investment activities, e.g., certificate issue, certificate loan, selection, premium collection, etc., as distinguished from a "service department" which performs work for other departments, such as mail, supply, personnel, etc.

SERVICE DEPARTMENT

Has the meaning assigned to it in the definition of operating department.

ACTIVITY

Means the work, or one of several lines of work, carried on within any unit or organizational subdivision of the company.

COST

Means all expenditures incurred in terms of salaries, wages, and other expenses and includes taxes, licenses, and fees.

TIME RATIOS

Mean the proportion of total clerical working time devoted to each subdivision of work in an organizational unit.

SALARY RATIOS

Mean ratios obtained by weighting the time ratios of individual clerks by the amount of their salary.

SECTION C – LINES OF BUSINESS

1. Major Lines of Business

The major lines of business for allocation of receipts and expenses are as follows:

	Annual Statement Reference Page	Annual Statement Reference Columns
Ordinary	6	2
Accident and Health	6	5

Allocations of receipts and expenses between companies shall be treated in the same manner as if made for major lines of business.

2. Secondary Lines of Ordinary Business

The secondary lines of business for allocation of receipts and expenses are as follows:

	Annual Statement Reference Page	Annual Statement Reference Columns
Life Insurance	6	2
Individual Annuities	6	3
Supplementary Contracts	6	4

3. Incidental Benefits

Include incidental benefits such as total and permanent disability (including both waiver of premium and disability income benefits), accidental death benefits, accidental death and dismemberment benefits, etc., in the same columns as the contracts with which they are associated.

4. Other Lines of Business

When Column 6 is utilized on Page 6 for reporting additional activities, the following modifications should also be made with appropriate descriptive designations.

Assets (Page 2)

Under Details of Write-ins Aggregated at Line 25 for Other Than Invested Assets insert a line for:

Premiums due and unpaid for all other lines of business.

Liabilities (Page 3)

Under Details of Write-ins Aggregated at Line 22 for Liabilities insert lines for:

Unearned premium reserve for all other lines of business;

Losses for all other lines of business.

Summary of Operations (Page 4)

Under Details of Write-ins Aggregated at Line 8.3 for Miscellaneous Income insert a line for:

Premiums for all other lines of business.

Under Details of Write-ins Aggregated at Line 25 for Deductions insert lines for:

Losses for all other lines of business;

Increases in unearned premium reserve for all other lines of business;

Commissions for all other lines of business.

Analysis of Operations by Lines of Business (Page 6)

Under Details of Write-ins Aggregated at Line 8.3 for Miscellaneous Income insert a line for:

Premiums for all other lines of business.

Under Details of Write-ins Aggregated at Line 25 for Deductions insert lines for:

Losses for all other lines of business;

Increases in unearned premium reserve for all other lines of business;

Commissions for all other lines of business.

Exhibit of Nonadmitted Assets (Page 17)

Under Details of Write-ins Aggregated on Line 25 for Other Invested Assets insert a line for:

Premiums due and unpaid over three months for all other lines of business, if nonadmitted.

SECTION D – INVESTMENT EXPENSE

Distribution of expenses to investment activities shall be made on the same principles as used for subdivision of insurance expense by major line of business. Investment expense (Exhibit 2, Column [illegible] and Exhibit 3, Column 4) shall include all amounts reported as "Real Estate Expense" (Exhibit 2, Line 9.1), "Investment Expenses Not Included Elsewhere" (Exhibit 2, Line 9.2), "Real Estate Taxes" (Exhibit 3, Line 1) and all other costs incurred in connection with the investing of funds, servicing of investments and the obtaining of investment income, or chargeable against investment income.

SECTION E – STANDARDS AND RULES FOR ALLOCATION OR RECEIPTS AND EXPENSES

1. General Instructions

It is the responsibility of each reporting entity to use only such methods that will produce a suitable and equitable distribution of receipts and expenses by lines of business. The methods of allocation and the application thereof shall be subject to review on examination.

Each reporting entity shall maintain records with sufficient detail to show fully:

1. The system used for allocation of receipts and expenses;
2. The actual bases of allocation;
3. The actual monetary distribution of the respective items of receipts, salaries, wages, expenses, and taxes to:
   a. Units of activity or functions, if any such distribution is made,
   b. Lines of business,
   c. Companies, and
   d. A recapitulation and reconciliation of items (a), (b) and (c) with the company's books of account and annual statement.

Such records shall be classified and indexed in such form as to permit ready identification between the item allocated and the basis upon which it was allocated, and shall be maintained in such a manner as to be readily accessible for examination. These records shall bear a date and shall identify the person responsible for the preparation thereof.

Bases of allocation shall be reviewed periodically to ascertain their suitability for continued use.

2. Premium Receipts

Premiums or considerations shall be allocated directly, either through the books of account or by memorandum records, to major lines. In the case of insurance on the debit basis, the total premiums may be distributed among the several lines of business on the basis of the relative proportions of premiums in force, properly weighted to reflect premium collection frequency.

Premiums on secondary lines of business which are not allocated directly to such lines of business may be distributed on the basis of: (1) the premiums in force, or (2) actual analyses of premium receipts covering test periods of sufficient length of time to assure the reliability of the sample. When the distribution is made on the basis of premiums in force:

1. The in force records shall segregate first-year, single, and renewal premiums,
2. The distribution shall be made separately for the first-year and renewal premiums, and
3. Adequate controls shall be maintained to assure the accuracy of the in force records.

3. Net Investment Income

The cost of granting and servicing certificate loans and liens shall be allocated to investment expense. The resulting net income on certificate loans and liens may be distributed to those lines of business that produced such income. In making such distribution, due consideration shall be given to the variation in the interest rate and incidence of expense on such loans and liens.

Net investment income, after adjustment, if any, as permitted by the preceding paragraph shall be distributed to major lines and may be distributed to secondary lines of business in proportion to the mean contract reserves and liabilities or the mean funds of each line of business, after suitable adjustment, if any, on account of certificate loans, except that any miscellaneous interest income arising from certificate or annuity transactions may be allocated directly to the line of business producing such income.

In lieu of the methods referred to above, an reporting entity may distribute net investment income by an investment year method that recognizes periodic variations in the yield on new investments, and the varying contributions of the various lines to the funds invested. If a year of investment method is used to allocate net investment income by line of business, complete Note 7 of the Notes to Financial Statements.

4. Other Receipts

Reserves and reserve adjustments received from reinsurers shall be allocated directly to the appropriate line of business. All other sundry receipts and adjustments shall be allocated to the appropriate line of business consistent with the nature of the transaction.

5. Commissions

Commissions on premiums and considerations shall be allocated directly to major lines of business. In the case of debit business, the total commissions paid may be distributed among the several lines of business on the basis of the relative proportions of such premiums in force, properly weighted to reflect the commission rates payable.

To the extent practicable, commissions on secondary lines of business shall be allocated directly. Where not practicable, the distribution to such lines of business may be made separately for first-year and renewal commissions in proportion to the respective first-year and renewal premiums for each such line of business.

6. General Expenses, Taxes, Licenses and Fees

In distributing costs to lines of business, each company shall employ those principles and methods that will reasonably reflect the actual incidence of cost by line of business. The relative time spent, the extent of usage and the varying volume of work performed for each line of business shall be considered in distributing cost to major lines of business and, to the extent practicable, to secondary lines. The costs of any unit of activity in performing work for one line of business and only incidentally for other lines may be allocated entirely to the single line of business.

In the application of the principles stated herein, special consideration may be given to a new line of business with respect to the costs of service departments and of executive departments responsible for the general administration of the company to the extent that such costs have not been increased by the addition of such new line of business and to the extent justifiable. Operational costs incurred for entering a new line of business, such as calculation of premium rates, preparation and printing of certificate forms and rate books, etc., should be allocated directly to the new line of business whether incurred before or after beginning the new line.

In the distribution of a specific category of cost to lines of business, an appropriate index of the activity or activities giving rise to such cost shall be used. Such index should fluctuate with the specific category of cost and be capable of measurement. For example, as illustrations of principles only and not of required procedures:

1. Clerical salaries of operating departments may be distributed to lines of business on the basis of time or salary ratios, the former used where approximately the same average rate of compensation is paid to clerks whose salaries are being distributed.

2. The cost of service departments may be distributed to other departments in proportion to the value of the services rendered each department, e.g., the cost of a personnel department may be distributed to other departments on some general basis such as number of clerks; a photostat section on a unit cost basis; or, in the case of a central tabulating unit, on an hourly rate reflecting the cost for each type of machine used.

3. Supervisory costs may be distributed to lines of business in the same proportions as the distribution of the salaries of the persons supervised.

4. The cost of executive departments responsible for general administration of the company, including the salaries of the executive officer or officers, may be distributed to lines of business in the same proportions as the salaries of all other officers and employees.

5. Social Security taxes may be distributed to lines of business in proportion to the corresponding distribution of taxable salaries.

6. Departmental rent charges may be made in proportion to the amount of floor space occupied and distributed to lines of business on some appropriate basis such as salaries.

7. Costs, such as meals for employees, telephone, telegraph, postage, office forms, stationery and supplies may be distributed first to departments on the basis of usage or on an appropriate general basis, and then distributed to lines of business on some appropriate basis, such as salaries.

8. In using number of transactions as a basis for distributing cost to lines of business, each type of transaction within an organizational unit may be weighted to reflect its relative cost. The average clerical time or average clerical cost per transaction may be used as a weight or, in special situations such as the approval of death and disability claims, the relative weights may be determined by case studies.

Estimates of time spent on activities may be used in the distribution of costs to lines of business, only where such activities by their nature are not susceptible of objective measurement, or where the cost of making time studies is disproportionate to the expenses being distributed, or where estimates of time are otherwise clearly appropriate. Where such estimates are made, they shall be made by a person or persons familiar with the nature of the activity and shall be reviewed by an executive responsible for expense allocations.

General indices such as premium volume, number of certificates, and insurance in force shall not be used as bases for distributing costs among major lines of business, except where the incidence of cost is closely related to such general indices, or except where there is no more appropriate basis for measurement. Such general indices may not be used in distributing claim costs to secondary lines of business.

The ratio of investment income to total receipts, the ratio of direct investment expense to total expenses, and any similar formulae shall not be used in distributing costs between insurance and investment expense, except where there is no more appropriate basis for distribution.

ANALYSIS OF INCREASE IN RESERVES DURING THE YEAR

This exhibit analyzes the development of life certificate and contract reserves by showing how the reserve may be traced mathematically from one year-end to the next by taking account of its various theoretical components:

> **Reinsurance** – Ordinarily, it will be satisfactory to compute all items net of reinsurance ceded. However, companies will generally find it more useful to compute gross and reinsurance ceded separately, unless the latter is not material.
>
> **Coinsurance** – For the ceding company, all items are computed similarly to its own direct business. For the assuming company, all items are included with its direct business and are similarly computed.
>
> **Modified Coinsurance** – For the ceding company, there is no deduction from reserves for reinsurance ceded.
>
> **Yearly Renewable Term Reinsurance** – For the ceding company, items are computed on the same basis as its direct business. For the assuming company, all items are included with its direct business and are similarly reported.

A company shall not omit the columns for any lines of business in which it is not engaged. All figures for the ordinary variable life insurance business of the company excluding separate accounts items shall be included in Column 2.

This analysis applies to items reported in Exhibit 5.

Lines 2 through 6 and Lines 9 through 11 do not include amounts related to the VM-20 Deterministic/Stochastic portion of the reserves, which are reported on Line 6.1.

Refer to *SSAP No. 61R—Life, Deposit-Type and Accident and Health Reinsurance* for accounting guidance.

Line 1 – Reserve December 31, Prior Year

Enter Total (Net) reserves from the Life Insurance Section through the Miscellaneous Section of Exhibit 5.

Line 2 – Tabular Net Premiums or Considerations

Enter tabular net premiums or considerations as determined by valuation bases employed.

Include: The full and variable life insurance net premiums in Column 2, corresponding to the gross premiums included in Analysis of Operations by Lines of Business, Line 1, Column 2.

Line 3 – Present Value of Disability Claims Incurred

Include: Claims pending, unreported, and resisted as well as approved claims.

Line 4 – Tabular Interest
Line 5 – Tabular Less Actual Reserve Released and
Line 9 – Tabular Cost

For these items either use formulas indicated below or derive them from basic data.

Indicate in the Notes to Financial Statements under Note 31 whether determination has been by formula or from basic data.

(1) Tabular Cost Minus Tabular Interest (C-I) on Life Insurance, Accidental Death Benefits and Disability, Active Lives

Line 1 – Mean reserve Dec. 31 of prior year	____________
Line 2 – Tabular premiums	____________
Line 7 – Other increases	____________
Total	____________

Deduct:

Line 15 – Mean reserve Dec. 31 of current year
Line 10 – Terminal reserves released by death
Line 11 – Net reserves released by other terminations
Total deductions
Balance (C-I)

Tabular Interest:

One-half year's interest on mean reserve Dec. 31, of prior year
One-half year's interest on mean reserve Dec. 31, of current year
One-half year's interest on (C-I)
One-half year's interest on terminal reserves released by death (life insurance only)
Total equals tabular interest

Tabular Cost:

C-I
Add I
Total equals tabular cost

(2) Tabular Less Actual Reserve Released Plus Tabular Interest (T-A+I) on Annuities, Disability Annuities, and Supplementary Contracts with Life Contingencies

Line 15 – Mean reserve Dec. 31 of current year
Line 12 – Benefits payable during year
Total

Deduct:

Line 1 – Mean reserve Dec. 31 of prior year
Line 2 – Tabular considerations for annuities and supplementary contracts (or present value of disability claims incurred)
Line 7 – Other increases net
Total deductions
Balance (T-A+I)

Tabular Interest:

One-half year's interest on mean reserve Dec. 31 of prior year
One-half year's interest on mean reserve Dec. 31 of current year
Total
Deduct one-half year's interest on (T-A+I)
Balance equals tabular interest

Tabular Less Actual Reserve Released:

T-A+I
Deduct I
Balance equals tabular less actual reserve released

(3) Tabular Interest on Deposits and Contracts Without Life Contingencies

Mean Reserve December 31 of current year	______
Payments Incurred during the year	______
Total	______

Deduct:

Mean Reserve December 31 of prior year	______
Income during the year	______
Other increases	______
Total Deductions	______
Balance equals tabular interest	______

Column 2 – Use Formula 1 for life insurance, accidental death benefits and disability, active lives; Formula 2 for disabled lives; and Formula 3 for interest only benefits.

Column 3 – Use Formula 2 for all annuities "with a life contingency" basis. Use Formula 1 for disability, active lives; Formula 2 for disabled lives; and Formula 3 for interest only benefits.

Column 4 – Use Formula 2 for supplementary contracts with life contingencies, and Formula 3 for supplementary contracts without life contingencies.

Line 6 – Increase in Reserve on Account of Change in Valuation Basis

Enter appropriate amounts from Part A of Exhibit 5A – Changes in Bases of Valuations During the Year.

Line 6.1 – Change in Excess of VM-20 Deterministic/Stochastic Reserve over Net Premium Reserve

As the line item describes, this is the change in excess of any Deterministic/Stochastic reserve over the amount of the VM-20 Net Premium Reserve.

Line 7 – Other Increases (Net)

Enter amounts that affect reserves but that are not included elsewhere (transfers between lines of business, etc.).

Include: Adjustments due to fluctuations in foreign exchange rates.

Line 10 – Reserves Released by Death

Entries should be made only in the columns involving life insurance. Enter terminal reserves released.

Exclude: Deterministic/Stochastic Reserves from the reporting of Reserves Released by Death

Line 11 – Reserves Released by Other Terminations (Net)

Enter reserves released by all causes in Columns 3 and 4 and other than by death in Column 2. The computation should be on a net basis so as to take account of revivals, increases, changes, etc.

Exclude: Deterministic/Stochastic Reserves from the reporting of Reserves Released by Other Terminations (Net)

Line 12 – Annuity, Supplementary Contract and Disability Payments Involving Life Contingencies

Include: Surrender payments on annuities and supplementary contracts with life contingencies.

Line 13 – Net Transfers to or (From) Separate Accounts

Include: Net transfers to or (from) separate accounts of net premiums, considerations.

Line 15 – Reserve December 31 of Current Year

Line 8 minus Line 14. Amounts reported should equal (net) reserves by lines of business from Exhibit 5.

An analysis of Increase in Reserves is done by annual statement line of business and within each line according to these formula types: insurance, annuity, and contracts with life or disability contingencies. The instructions specify that the various items are either to be derived from basic data or derived by formula. One item is always to be derived as the balancing item in its reserve analysis formula. Thus, the accuracy of the analysis for each line of business and formula type should be verified by the reasonableness of the various balancing items.

The balancing item for life insurance, accidental death benefit, and active life disability reserves is tabular cost. Tabular cost for life insurance can be expressed as the summation of the products of mortality rates times the excess of the face amount over the reserve. Using the tabular cost that was derived in the reserve analysis, the amount of insurance in force, and the reserves, the average mortality rate that is implied by the reserve analysis can be determined. This rate should be reasonable considering the nature of the in force and should show a reasonable progression from year to year.

The balancing item for annuity, supplementary contracts with life contingencies, and disabled life reserves is tabular less actual reserve released. This item reflects the relationship between the mortality and claim termination rates used for the reserves and the corresponding company experience. The level of this item and its variation from year to year should be reasonable in terms of these factors.

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Exhibit of Net Inv.
Income, 1 - 8 &
Nonadmitted Assets

EXHIBIT OF NET INVESTMENT INCOME

Include the amount of investment income collected and earned by each type of invested asset. Interest on encumbrances should be deducted by type of invested asset that is encumbered. Investment income should be assessed for collectibility. If uncollectible, the amount should be written off and charged against investment income. Refer to *SSAP No. 34—Investment Income Due and Accrued* for accounting guidance.

Include the income from securities that the company no longer owns in the appropriate line of the Exhibit of Net Investment Income.

Report in Column 2 amounts needed to adjust income from a spot rate to a periodic rate. Refer to *SSAP No. 23—Foreign Currency Transactions and Translations* for accounting guidance.

Column 1 – Collected During Year

Subtract amounts paid for accrued interest on purchases from this amount.

Column 2 – Earned During Year

Earned investment income reported here should be on an accrual basis.

Lines 1, 1.1, 1.2 and 1.3 – Bonds

Report interest earned on bonds.

Include:

- Accrual of discount.
- Amortization of origination fees intended to compensate the reporting entity for interest rate risk (e.g., points).
- Amortization of commitment fees (if such qualify for amortization).
- Prepayment penalty or acceleration fees where the investment is liquidated prior to the scheduled termination date on mortgage-backed/loan-backed and structured securities.
- Commitment fees, if the loan or bond is not granted or if the commitment is not exercised.
- Nonrefundable fees other than points.

Exclude: Interest due and accrued on bonds in default as to principal or interest. The market value of such bonds includes such interest.

Deduct: Amortization of premium during the year.

Line 1.1 – Bonds Exempt from U.S. Tax

This line is applicable to Property/Casualty entities only.

Lines 2.1, 2.11,
2.2 and 2.21 – Stocks

Include: Accrual of discount for redeemable preferred stocks.

Dividends on stocks declared to be ex-dividend on or prior to December 31.

Deduct: Amortization of premium for redeemable preferred stocks.

Line 3 – Mortgage Loans

Refer to *SSAP No. 34—Investment Income Due and Accrued* for accounting guidance.

Include: Income from property for which the transfer of legal title is awaiting expiration of redemption or moratorium period.

Accrual of discount.

Amortization of mortgage interest points.

Amortization of commitment fees (if such qualify for amortization under *SSAP No. 37—Mortgage Loans*).

Prepayment penalty or acceleration fees.

Commitment fees, if the loan or bond is not granted or if the commitment is not exercised.

Nonrefundable fees other than points.

Deduct: Outgo on such property, unless capitalized or shown in:

Exhibit 2 or 3 for **life and fraternal companies**

Underwriting and Investment Exhibit, Part 3 for **property and health companies**

Operations and Investment Exhibit, Part 3 for **title companies**

Servicing fees paid to correspondents and others unless included in:

Exhibit 2 for **life and fraternal companies**

Underwriting and Investment Exhibit, Part 3 for **property and health companies**

Operations and Investment Exhibit, Part 3 for **title companies**

Amortization of premium.

Line 4 – Real Estate

Include: Income from ownership of Schedule A properties.

Adequate rent for the reporting entity's occupancy, in whole or in part, of its own buildings, and for space therein occupied by agencies.

Exclude: Reimbursements of amounts previously capitalized; such amounts should normally be credited to the item to which the expenditure was charged originally.

Deduct: Interest on encumbrances.

Line 6 – Cash, Cash Equivalents and Short-term Investments

Include: Earned investment income on investments for which maturities (or repurchase dates) at the time of acquisition were one year or less.

Line 7 – Derivative Instruments

Include: Amount of investment income from Schedule DB.

Line 8 – Other Invested Assets

Include: Earned investment income, for any class of investments includable in Schedule BA.

Line 9 – Aggregate Write-ins for Investment Income

Enter the total of the write-ins listed in schedule Details of Write-ins Aggregated at Line 9 for Investment Income.

Line 13 – Interest Expense

Include: All interest on debt, surplus notes and other related items.

Debt issuance costs that must be charged in the period incurred.

Subsequent to the issuance of convertible debt securities, consideration issued to induce conversion of convertible debt.

Exclude: Interest on encumbrances on real estate.

Interest on debt that is offset against another asset.

Capitalized interest on debt.

Line 14 – Depreciation on Real Estate and Other Invested Assets

Include: Depreciation reported in Schedule A, Part 1, Column 11 and Schedule A, Part 3, Column 9.

Line 15 – Aggregate Write-ins for Deductions from Investment Income

Enter the total of the write-ins listed in schedule Details of Write-ins Aggregated at Line 15 for Deductions from Investment Income.

Details of Write-ins Aggregated at Line 9 for Investment Income

List separately each category of investment income for which there is no pre-printed line in the Exhibit of Net Investment Income.

Include: Amortization for the period of the difference between original proceeds received and the strike price obligation for asset transfers with put options accounted for as financing. Also include an amount equal to the hypothecated income for these transactions reported in Column 1. Any paid interest items included in this line should be enclosed in parentheses.

Investment fees relating to uninsured accident and health plans and the uninsured portion of partially insured accident and health plans.

Fees received by the transferor for the loaning of securities, net of direct expenses. (NOTE: Interest income on loaned securities that is unrelated to securities lending is reported in the annual statement categories and exhibits that are consistent with the income earned on similar investment categories, e.g., bonds.)

Amortization of servicing assets or liabilities as described in *SSAP No. 103R—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*.

Details of Write-ins Aggregated at Line 15 for Deductions from Investment Income

List separately each category of deductions from investment income for which there is no pre-printed line in the Exhibit of Net Investment Income.

Include: Accrued interest on borrowed money, with appropriate designation. Report investment income credited to uninsured accident and health plans and the uninsured portion of partially insured accident and health plans.

EXHIBIT OF CAPITAL GAINS (LOSSES)

Gains and losses may be offset against each other only where they apply to the same bond issue, property, etc. Only gains/losses pertaining to invested assets are to be included in this exhibit. Amounts in this exhibit shall be presented before federal and foreign income taxes.

Column 1 – Realized Gain (Loss) on Sales or Maturity

Exclude: Realized foreign exchange gain or loss.

Column 2 – Other Realized Adjustments

Include: Other-than-temporary impairment write-downs as negative amounts.

Realized foreign exchange gain or loss.

Column 4 – Change in Unrealized Capital Gain (Loss)

Include: Any unrealized valuation changes reported in the investment schedules.

The change in any valuation allowance between the current period and previous year-end amount.

Exclude: Other-than-temporary impairment write-downs.

Amounts reported in the Unrealized Foreign Exchange Change in Book/Adjusted Carrying Value column in the detailed investment schedules.

Column 5 – Change in Unrealized Foreign Exchange Capital Gain (Loss)

Include: Amounts reported in the foreign exchange change in book/adjusted carrying value column in the detailed investment schedules.

Lines 1, 1.1, 1.2 and 1.3 – Bonds

Include: Amounts from Schedule D, Part 1 and Part 4 that represent either realized or unrealized adjustments on bonds.

In Column 2, the decline in the fair value of a bond that is other-than-temporary.

Line 1.1 – Bonds Exempt from U.S. Tax

Applicable to Property/Casualty entities only.

Lines 2.1, 2.11, 2.2, and 2.21 – Stocks

Include: Amounts from Schedule D, Part 2 and Part 4 that represent either realized or unrealized adjustments on stocks.

Exclude: Proceeds from sale of rights, etc. (Reduce the stock asset accordingly.)

Line 3 – Mortgage Loans

Include: Amounts from Schedule B that represent either realized or unrealized adjustments.

Amounts from Schedule B that represent adjustments to statement value for recognizing an impairment of a mortgage loan by creating a valuation allowance or by adjusting an existing valuation allowance for an impaired loan.

Line 4 – Real Estate

Include: Amounts from Schedule A that represent either realized or unrealized adjustments.

Line 5 – Contract Loans

Include: Any realized or unrealized adjustments on contract loans.

Line 6 – Cash, Cash Equivalents and Short-term Investments

Include: Gains or (losses) arising from the transfer of funds to or from other countries. Also include in Column 4, the net change in deduction for deposits in suspended depositories.

Line 7 – Derivative Instruments

Include: Amounts from Schedule DB that represent either realized or unrealized adjustments.

Line 8 – Other Invested Assets

Include: Amounts from Schedule BA that represent either realized or unrealized adjustments.

Line 9 – Aggregate Write-ins for Capital Gains (Losses)

Enter the total of the write-ins listed in schedule Details of Write-ins Aggregated at Line 9 for Capital Gains and (Losses).

Line 10 — Total Capital Gains (Losses)

Column 3 total should agree with reported net realized capital gains (losses) before the tax effects.

Column 3, Line 10 should equal:

[Page 4, Line 10, Col 1 + Page 4, Line 10 inset amount for the PC statement]

[Page 4, Line 34, Col 1 + Page 4, Line 34, inset amount #1 + Page 28 IMR, Line 2, Col 1 + Page 28 IMR, Line 2, inset amount #2 for the LAH statement]

[Page 4, Line 26, Col 2 + Page 4, Line 26 inset amount for the Health statement]

[Page 4, Line 30, Col 1 + Page 4, Line 30, inset amount #1 + Page 25 IMR, Line 2, Col 1 + Page 25 IMR, Line 2, inset amount #2 for the Fraternal statement]

[Page 4, Line 10, Col 1 + Page 4, Line 10 inset amount for the Title statement]

Column 4 total should agree with the change in unrealized capital gains or (losses) before taxes.

Column 4, Line 10 should equal:

[Page 4, Line 24, Col 1 + Page 4, Line 24, inset amount for the PC statement]

[Page 4, Line 38, Col 1 + Page 4, Line 38, inset amount for the Life statement]

[Page 5, Line 36, Col 1, + Page 5, Line 36, inset amount for the Health statement]

[Page 4, Line 34, Col 1 + Page 4, Line 34, inset amount for the Fraternal statement]

[Page 4, Line 18, Col 1 + Page 4, Line 18, inset amount for the Title statement]

Details of Write-ins Aggregated at Line 9 for Capital Gains (Losses)

List separately each category of capital gains (losses) for which there is no pre-printed line in the Exhibit of Capital Gains (Losses).

Include: Capital gains from investments previously charged off.

Exclude: Capital gains and losses on extinguishment of debt related to employee stock option plans.

EXHIBIT 1 – PART 1 – PREMIUMS AND ANNUITY CONSIDERATIONS FOR LIFE AND ACCIDENT AND HEALTH CONTRACTS

Amounts reported should be reflected in U.S. dollars based on the foreign currency exchange rate. Refer to *SSAP No. 23—Foreign Currency Transactions and Translations* for accounting guidance. Any foreign currency exchange gain or loss is reported as a realized capital gain or loss.

The separation into first-year, single, and renewal is required only for Columns 2 and 3.

Include:	Certificate, membership and other fees whether or not retained by fieldworkers.
	Experience rating refunds and accrued return retrospective premiums. Refer to *SSAP No. 66—Retrospectively Rated Contracts* for accounting guidance.
Deduct:	Premiums and annuity considerations returned.
Do not deduct:	Commissions and allowances on reinsurance premiums assumed or ceded.

A company may not omit the columns for any lines of business in which it is not engaged. All figures for the ordinary variable life insurance business of the company, excluding separate accounts items, shall be included in Column 2.

Include premiums and annuity considerations that are transferred to the Separate Accounts Statement. They are also to be reported as premiums and annuity considerations in the Separate Accounts Statement.

Line 1 – Uncollected Premiums and Considerations First Year (Other Than Single) and
Line 11 – Uncollected Premiums and Considerations Renewal

These are premiums and considerations on certificates in force which were due before the end of the year and unpaid on the valuation date and have not been recorded in the premium or consideration account.

Column 4 should be included on Page 2, Line 15.1, Column 1.

Line 2 – Deferred and Accrued Premiums and Considerations First Year (Other Than Single) and
Line 12 – Deferred and Accrued Premiums and Considerations Renewal

These are premiums and considerations on policies in force which were due on policies in force extending from (and including) the modal (monthly, quarterly, semiannual) premium due date or dates following the valuation date to the next policy anniversary date when annualized premium was assumed to be collected in the reserve valuation.

Include:	Change in experience rating refund liability and accrued return retrospective premiums.

Line 4 – Advance Premiums and Considerations First Year (Other Than Single) and
Line 14 – Advance Premiums and Considerations Renewal

Include:	Premiums and considerations on certificates in force received by the reporting entity prior to the valuation date but which are due on or after the next certificate anniversary date.

Companies may include here unearned premiums on accident and health business.

The total of these lines, excluding A&H unearned premium reserve, must balance to Page 3, Line 7, or to this item prior to deduction of discount depending upon the basis used for crediting advance premiums to the premium account.

Column 4 should agree with Schedule H, Part 2, Line A2, Column 1.

Line 6 – Collected During Year – First Year (Other Than Single)

Include: All premiums and considerations (other than single premiums) pertaining to first certificate year.

Experience rating refunds and return retrospective premiums received.

Deduct: Experience rating refunds and return retrospective premiums paid.

Line 10 – Single Premiums and Considerations – Single

Include: All single premiums and considerations and refunds applied to provide paid-up additions and annuities.

Line 16 – Collected During Year - Renewal

Include: All other premiums and considerations including refunds applied to pay renewal premiums and to shorten the endowment or premium-paying period.

Experience rating refunds and return retrospective premiums received.

Deduct: Experience rating refunds and return retrospective premiums paid.

Line 20.4 – Net Total Premiums and Annuity Considerations – Total

Column 1 should agree with Summary of Operations, Line 1 and all appropriate columns should agree with Analysis of Operations by Lines of Business, Line 1.

EXHIBIT I – PART 2 – REFUNDS APPLIED, REINSURANCE COMMISSIONS AND EXPENSE ALLOWANCES AND COMMISSIONS INCURRED

The separation into first-year, single and renewal is required only for Columns 2 and 3.

Line 26.1 – Reinsurance Ceded

Column 4 should agree with Schedule H, Part 4, Line B4, Column 1.

Line 26.2 – Reinsurance Assumed

Column 4 should agree with Schedule H, Part 4, Line A4, Column 1.

EXHIBIT 2 – GENERAL EXPENSES

General expense items must be itemized and entered in sufficient detail to indicate their precise nature. Expenses shall not be reported on a functional basis, except to the extent specifically permitted herein and only if: (1) services are independently organized, (2) rent, salaries and wages, and other major items of expense directly incident thereto, but not necessarily including the cost of employee benefit plans and Social Security taxes, are charged to function, and (3) adequate accounting thereof is maintained. Whenever personnel or facilities are used in common by two or more companies, or whenever the personnel or facilities of one company are used in the activities of two or more companies, each reporting entity shall assign its share of the expense to the same expense classification as if it had incurred the entire expense. This latter requirement shall not apply to activities such as administration of joint mortality and morbidity studies.

Expenses for accident and health activities must be allocated between cost containment expenses, Column 2, or all other, Column 3. For guidance on cost containment expenses, refer to *SSAP No. 55—Unpaid Claims, Losses and Loss Adjustment Expenses*.

A company that pays any affiliated entity (including a managing general agent) for the management, administration, or service of all or part of its business or operations shall allocate these costs to the appropriate expense classification item (salaries, rent, postage, etc.) as if these costs had been borne directly by the company. Management administration or similar fees should not be reported as a one-line expense. The company may estimate these expense allocations based on a formula or other reasonable basis.

A company that pays any non-affiliated entity (including a managing general agent) for the management, administration, or service of all or part of its business or operations shall allocate these costs to the appropriate expense classification items as follows:

a. Payments for claims handling or adjustment services shall be reported as "Expense of investigation and settlement of certificate claims," Line 4.5 and allocated to "Life," "Accident and Health," and/or "All Other Lines of Business" as appropriate (Columns 1, 2, 3 and/or 4) in Exhibit 2 – General Expenses. If the total of such expenses incurred equals or exceeds 10% of the total "General Expenses Incurred" (Line 10), the company shall allocate these costs to the appropriate expense classification item as if these costs had been borne directly by the company.

b. Payments for services other than claims handling or adjustment services shall be allocated to the appropriate expense classification as if these costs had been borne directly by the company, if the total of such fees paid to the non-affiliate(s) equals or exceeds 10% of the total "General Expenses Incurred" (Line 10). If the total is less than 10%, the payments may be reported on Line 7.1.

The total management and services fees incurred attributable to affiliates and non-affiliates shall be reported in the footnote to Exhibit 2 – General Expenses of the annual statement blank, and the method(s) used for allocation shall be disclosed in the Notes to Financial Statements. The company shall use the same method(s) on a consistent basis. Refer to *SSAP No. 70—Allocation of Expenses* for accounting guidance.

Line 1 — Rent

Include: Rent for all premises occupied by the company, including an adequate rent for occupancy of its own buildings, in whole or in part, except to the extent that allocation to other expense classifications on a functional basis is permitted and used.

Expenses incurred as tenant for light, heat, water, fuel, interest, taxes, building maintenance, alterations and services, etc.

Amortization expense for leasehold improvements as lessee.

Deduct: Rent under sublease.

Line 2 – Salaries and Wages

Include: Salaries and wages, bonuses and incentive compensation to employees, overtime payments, continuation of salary during temporary short-term absences, dismissal allowances, payments to employees while in training and other compensation to employees not specifically designated herein, except to the extent that allocation to other expense classifications is permitted and used.

Fees and other compensation to directors for attendance at board or committee meetings and any other fees and compensation paid to them in their capacities as directors or committee members.

Fieldworker compensation other than commissions.

Line 3.11 – Insured Benefit Plans for Employees and
Line 3.12 – Insured Benefit Plans for Fieldworkers

Include: Contributions by company for pension and total and permanent disability benefits, life insurance benefits, accident, health, hospitalization, medical, surgical, or other temporary disability benefits under a self-administered or trusteed plan or for the purpose of annuity or insurance contracts.

Appropriation or any other assignment of funds by company in connection with any benefit plan of the types enumerated herein, e.g., the net periodic postretirement benefit cost, whether it be defined in terms of specified benefits or in terms of monetary amounts.

Earned amounts related to employee stock option plans.

Exclude: Contributions or appropriations for past service if reported in the Surplus account.

Benefit payments (to be reported in the appropriate benefit item of the Summary of Operations where reserves are included in Page 3, Lines 1 and 2, and as a separate item in the Summary of Operations when the liability is included in Page 3, Line 19).

Line 3.21 – Uninsured Benefit Plans for Employees and
Line 3.22 – Uninsured Benefit Plans for Fieldworkers

Include: Payments by company under a program for pension, stock options, purchase and award plans (including change in quoted market value), and total and permanent disability benefits, death benefits, accident, health, hospitalization, medical, surgical, or other temporary disability benefits, where no contribution or appropriation is made prior to the payment of the benefit.

Refer to *SSAP No. 12—Employee Stock Ownership Plans* and *SSAP No. 104R—Share-Based Payments* for accounting guidance.

Line 3.31 – Other Employee Welfare and
Line 3.32 – Other Fieldworker Welfare

Expenses included in these lines may be reported on a functional basis.

Include: Meals to employees. Companies so desiring may exclude this item from Other Employee Welfare and Fieldworker Welfare and show it independently as a separate item in Details of Write-ins Aggregated on Line 9.3 for Expenses.

Contributions to employee associations or clubs.

Expense and maintenance of recreation grounds.

Payments to employees and fieldworkers in military service.

Expense of periodical medical or dental examinations or of medical dispensary, convalescent home or sanitarium for employees and fieldworkers.

Line 4.1 – Legal Fees and Expenses

Include: Court costs, penalties and all fees or retainers for legal services or expenses in connection with matters before administrative or legislative bodies.

Exclude: Salaries and expenses of company personnel.

Legal expenses in connection with investigation, litigation, and settlement of certificate claims.

Legal fees specifically associated with real estate transactions.

Line 4.2 – Medical Examination Fees

Include: Fees of medical examiners in connection with new business, reinstatements, certificate changes and applications for employment.

Exclude: Fees for medical examinations for the welfare of employees and fieldworkers.

Medical examination fees in connection with the investigation, litigation, and settlement of certificate claims.

Line 4.3 – Inspection Report Fees

Include: Fees for inspection reports in connection with new business, reinstatements, certificate changes, and applications for employment.

Cost of services furnished by the Medical Information Bureau (M.I.B.).

Exclude: Salaries of inspectors.

Inspection report fees in connection with the investigation, litigation, and settlement of certificate claims.

Assessment for expenses of M.I.B. Executive Committee.

Line 4.4 – Fees of Public Accountants and Consulting Actuaries

Exclude: Fees for examinations made by State Departments.

Expense of internal audits by company employees.

Line 4.5 – Expense of Investigation and Settlement of Certificate Claims

Include: Payment to other than employees of fees and expenses for the investigation, litigation, and settlement of certificate claims.

Line 5.1 – Traveling Expenses

Include: Traveling expenses of officers, other employees, directors, and fieldworkers, including hotel, meals, telephone, telegraph, and postage charges incurred while traveling.

Amounts allowed employees for use of their own cars on company business.

The cost of, or depreciation on, and maintenance and running expenses of company-owned automobiles.

Exclude: Such expenses properly chargeable to Real Estate Expenses (Line 9.1) or required to be reported in Lines 7.1 and 7.3.

Line 5.2 – Advertising

Include: Newspaper, magazine, and trade journal advertising for the purpose of solicitation and conservation of business.

Billboard, sign, and directory advertising.

Television, radio broadcasting, and motion picture advertising, excluding subjects dealing wholly with health and welfare.

All canvassing or other literature, such as pamphlets, circulars, leaflets, certificate illustration forms and other sales aids, printed material, etc., prepared for distribution to the public by fieldworkers or through the mail for purposes of solicitation and conservation of business.

All calendars, blotters, wallets, advertising novelties, etc., for distribution to the public.

Printing, paper stock, etc., in connection with advertising.

Prospect and mailing lists when used for advertising purposes.

Fees and expenses of advertising agencies related to advertising.

Exclude: Pamphlets on health, welfare, and educational subjects.

Advertising required by law, regulation, or ruling except to the extent that it substantially exceeds the space required for compliance.

Salaries and expenses of advertising department.

Help-wanted advertisements.

Advertising in connection with investments.

Line 5.3 – Postage, Express, Telegraph and Telephone

Include: Freight and cartage.

Cables, radiograms, and teletype.

Charges for use, installation, and maintenance of related equipment if not included elsewhere.

Line 5.4 – Printing and Stationery

Expenses included in this line may be reported on a functional basis.

Include: Certificate forms, riders, supplementary contracts, applications, etc., rate books, instruction manuals, punch-cards, house organs, and all other printed material which is not required to be included in any other expense classification.

Office supplies.

Pamphlets on health, welfare, and educational subjects.

Annual reports to members if not included in Line 5.2.

Line 5.5 – Cost or Depreciation of Furniture and Equipment

Include: The cost or depreciation of office machines except for such charges as may be reported in Line 5.3.

Exclude: The cost or depreciation of equipment used by employees handling maintenance and repair work on company-occupied property.

Line 5.6 – Rental of Equipment

Include: Rental of office machines except for such charges as may be reported in Line 5.3.

Line 5.7 – Cost or Depreciation of EDP Equipment and Software

Include: Depreciation and amortization expense for electronic data processing equipment and operating and non-operating systems software.

Refer to *SSAP No. 16R—Electronic Data Processing Equipment and Software* for accounting guidance.

Line 6.1 – Books and Periodicals

Include: Books, newspapers, periodicals, etc., including investment tax and legal publications and information services, and including all such material for company's law department and libraries.

Line 6.2 – Bureau and Association Dues

Include: All dues and assessments of organizations of which the company is a member.

All dues for employees' and fieldworkers' memberships on the company's behalf.

Exclude: Contributions in connection with scientific, disease prevention, or other activity directly pertaining to the welfare of members and the public.

Line 6.3 – Insurance, Except on Real Estate

Include: Premiums for Workers' Compensation, burglary, holdup, forgery and public liability insurance, fidelity or surety bonds, insurance on contents of company-occupied buildings and all other insurance or bonds not included elsewhere.

Line 6.4 – Miscellaneous Losses

Include: Uncollectible losses due to deficiencies, defalcations, robbery, or forgery, except those offset by bonding companies' payments.

Workers' Compensation benefits not covered by insurance.

Other uninsured losses not included elsewhere.

Exclude: Capital and investment losses.

Line 6.5 – Collection and Bank Service Charges

Include: Collection charges on checks and drafts and charges for checking accounts and money orders.

Exclude: Foreign exchange losses on funds transferred in or out of the country (include in Exhibit of Capital Gains (Losses) , Line 10, Column 2).

Line 6.6 – Sundry General Expenses

Include: Direct expense of all agency meetings, luncheons and dinners.

Tabulating service rendered by outside organizations.

Gifts and donations.

Exclude: Any one type of expense which would represent more than 25% of the total for this line; the nature and amount of such expense should be reported on Line 9.3.

Line 7.1 – Field Expense Allowance

Include: All bona fide allowances for field expense, but not allowances constituting additional compensation.

Line 7.2 – Fieldworkers' Balances Charged Off

Include: Fieldworkers' balances charged off less any amounts recovered during the year.

Line 7.3 – Field Conferences Other Than Local Meetings

Include: Cost of banquets and rental of meeting rooms.

Expenses of all persons traveling to conferences and their expenses at conferences.

Line 9.1 – Real Estate Expenses

Include: The cost of repairs, maintenance, service, and operation of all real estate properties including insurance whether occupied by the company or not; salaries and other compensation of managing agents and their employees; expenses incurred in connection with rental of such properties; legal fees specifically associated with real estate transactions other than sale; rent, salaries and wages, and other direct expenses of any branch or home office unit engaged solely in real estate work (not real estate and mortgages combined).

Salaries or wages of janitors, caretakers, maintenance workers and agents paid in connection with owned real estate.

Exclude: Salaries and wages of any other home office, general branch office, or investment branch office employees. These should be charged to salaries and wages, where they will be automatically subject to allocation as "insurance" or "investment," in Exhibit 2. The same rule applies to other expenses and charges associated with the activities of such employees.

Line 9.2 – Investment Expenses Not Included Elsewhere

Include: Only items for which no specific provision has been made elsewhere, e.g., contributions or assessments for bondholders' protective committees, fees of investment counsel, custodian and service fees.

All other costs including internal costs or costs paid to an affiliated company related to origination, purchase or commitment to purchase bonds.

Exclude: Home office salaries and expenses on account of investment work, salaries and expenses of mortgage loan branch offices.

Legal fees and expenses.

Real estate expenses properly chargeable to Line 9.1.

Brokerage and other related fees, to the extent they are included in the actual cost of a bond upon acquisition. Refer to *SSAP No. 26R—Bonds*.

Line 9.3 – Aggregate Write-ins for Expenses

Enter the total of write-ins listed in schedule "Details of Write-ins Aggregated at Line 9.3 for Expenses."

Line 10 – General Expenses Incurred

The sum of Columns 1, 2, 3, 4 and 6 should agree with Page 4, Line 21.

Column 5 should agree with Exhibit of Net Investment Income, Line 11, Column 2.

Columns 2 + Column 3 should agree with Schedule H, Part 1, Line 4 + Line 8, Column 1.

Details of Write-ins Aggregated at Line 9.3 for Expenses

List separately all expenses for which there is no pre-printed line on Exhibit 2.

Include: Any type of expense that would represent more than 25% of Line 6.6, Sundry General Expenses.

Adjustments due to fluctuations in foreign exchange rates

EXHIBIT 3 – TAXES, LICENSES AND FEES

The term "state" includes reference to territories and possessions of the United States, to Canada and its provinces and to other foreign countries and political subdivisions thereof.

Line 1 – Real Estate Taxes

Include: Those taxes directly assessed against property owned by the company. Canadian and other foreign taxes should be included appropriately.

Line 2 – State Insurance Department Licenses and Fees

Include: Assessments to defray operating expenses of any state insurance department. Canadian and other foreign taxes should be included appropriately.

Fees for examinations by state departments.

Exclude: Fines and penalties of regulatory authorities that should be reported as a separate item on Page 4, "Details of Write-ins Aggregated at Line 25 for Deductions."

Line 3 – Other State Taxes, including $________ for Employee Benefits

Include: Assessments of state industrial or other boards for operating expenses or for benefits to sick unemployed persons in connection with disability benefit laws or similar taxes levied by states. Canadian and other foreign taxes should be included appropriately.

Advertising required by law, regulation or ruling, except in connection with investments.

State sales taxes, if company does not exercise option of including such taxes with the cost of goods and services purchased.

Line 5 – All Other Taxes

Include: Taxes of Canada or of any other foreign country not specifically provided for elsewhere.

Sales taxes, other than state sales taxes, if company does not exercise option of including such taxes with the cost of goods and services purchased.

Line 6 – Taxes, Licenses and Fees Incurred

Column 2 should agree with Schedule H, Part 1, Line 9, Column 1 amount.

Column 4 should agree to Exhibit of Net Investment Income, Line 12, Column 2.

The sum of Columns 1, 2, 3 and 5 should agree with Page 4, Line 22.

EXHIBIT 4 – DIVIDENDS AND REFUNDS

The term refund is limited to amounts declared by Fraternal Organizations, paid or payable, to its members. Experience rating refunds are excluded.

Refunds may include interest allowed in excess of guaranteed rate on supplementary contracts and refund accumulations. This analysis is presented net of reinsurance, i.e., reinsurance assumed should be included and reinsurance ceded should be deducted. No deduction should be taken for dividends ceded under a modified coinsurance arrangement until a cash settlement is made with the reinsurer.

Line 8 – Aggregate Write-ins for Dividend or Refund

Enter the total of Write-ins listed in schedule "Details of Write-ins Aggregated at Line 8 for Dividend or Refund."

Line 9 – Total Lines 5 through 8

Report on Lines 1 through 4 and 6 through 8, refunds that have been paid or credited according to the elected refund option and recorded as such in respective ledger accounts.

Line 10 – Amounts Due and Unpaid

Report dividends or refunds contingent on payment of deferred and uncollected premiums, due during the current and prior years that have not been paid or credited to members as of December 31 of the current year. Should agree with amounts on the dividends or refunds due and unpaid line, Liability page.

Line 11 – Provision for Dividends or Refunds Payable in the Following Calendar Year

Report policyholder's dividends or refunds payable in the following calendar year including dividends or refunds that do not exceed the annual premiums and similar benefits contingent on payment or renewal premiums.

Line 17 – Total Dividends or Refunds

Include: Refunds and similar benefits.

Should agree with Summary of Operations (and also Analysis of Operations by Lines of Business) Line 28, Refunds to Members.

Column 2 should agree with Schedule H, Part 1, Line 13, Column 1.

Detail of Write-ins Aggregated at Line 8 for Dividend or Refund

List separately all dividends or refunds for which there is no pre-printed line on Exhibit of Dividends or Refunds.

EXHIBIT 5 – AGGREGATE RESERVE FOR LIFE CONTRACTS

Refer to *SSAP No. 50—Classifications of Insurance or Managed Care Contracts* for life, accident and health and deposit-type contract definitions and *SSAP No. 51R—Life Contracts*. Reserves should be computed on a "gross" basis, i.e., direct and reinsurance assumed combined. Then, deductions for reinsurance ceded should be computed, using the same assumptions for mortality and interest and using the same valuation method, but reflecting the actual mode of reinsurance. If the assuming reinsurer uses different valuation assumptions or methods (e.g., reinsurer uses net level, but ceding entity uses CRVM), then deductions for reinsurance ceded by the ceding reporting entity will not necessarily equal reserves established by the assuming reporting entity. No deductions should be taken for reserves ceded under a modified coinsurance arrangement.

If necessary, companies may add lines to report each reserve basis used.

Column 1 — Valuation Standard

State table of mortality, disability, etc. rate of interest; distinguish between (1) net level premium, and (2) preliminary term, modified preliminary term and select and ultimate standards on respective lines. Valuation assumptions for mortality, morbidity and other contingencies, interest, and the valuation method should be indicated by years of issue. For annuities, indicate whether immediate, deferred, or both.

In describing the valuation assumptions and valuation methods, abbreviate as follows:

Mortality and Morbidity

AE	American Experience Table.
AM (5)	American Men (Ultimate) Table.
41 CSO	Commissioners 1941 Standard Ordinary Table.
41 STD IND	1941 Standard Industrial Table.
41 STD INT	1941 Standard Intermediate Table.
58 CSO	Commissioners 1958 Standard Ordinary Table.
58 CET	Commissioners 1958 Extended Term Table.
60 CSG	Commissioners 1960 Standard Group Table.
61 CSI	Commissioners 1961 Standard Industrial Table.
80 CSO	Commissioners 1980 Standard Ordinary Table or any modification of such table adopted by the NAIC.
80 CET	Commissioners 1980 Extended Term Table or any modification of such table adopted by the NAIC.
2001 CSO	Commissioners 2001 Standard Ordinary Table or any modification of such table adopted by the NAIC.
2017 CSO	Commissioners 2017 Standard Ordinary Table or any modification of such table adopted by the NAIC.
37 SA	1937 Standard Annuity Table.
CA	Combined Annuity Table.
a-1949	Annuity Table for 1949.
71 IAM	1971 Individual Annuity Mortality Table.
51 GAM	Group Annuity Mortality Table for 1951.
51 GAM PROJ	Group Annuity Mortality Table for 1951 with Projection.
71 GAM	1971 Group Annuity Mortality Table.
83a	1983 Table a.
83 GAM	1983 Group Annuity Mortality Table.
1994 GAR	1994 Group Annuity Mortality Table.
a-2000	Annuity 2000 Mortality Table.
INTERCO DI	Inter-Company Double Indemnity Table.
IND DI	Industrial Double Indemnity.
59 ADB	1959 Accidental Death Benefits Table.
52 INTERCO DISA	1952 Inter-Company Disability Table.
70 INTERCO DISA	1970 Inter-Company Group Life Disability Table.
64 CDT	1964 Commissioners Disability Table.

26 Class (3) ....Class (3) Disability Table (1926).
56 TASK FORCE IV ....1956 Task Force IV Morbidity Table.
85 CIDA ....1985 Commissioners Individual Disability Tables A.
85 CIDB ....1985 Commissioners Individual Disability Tables B.
2012 IAR ....2012 Individual Annuity Reserve Mortality Table

Interest

4 1/2% ....Interest at 4 1/2% for all durations.
5%/10/2% ....Interest at 5% for the first 10 years after issue; 2% thereafter.

Valuation Method

NLP ....Net Level Premium Reserve Method.
CRVM ....Commissioners Reserve Valuations Method.
NJ ....NJ Modified Reserve Method.
ILL ....Illinois Modified Reserve Method.
CARVM ....Commissioners Annuity Reserve Valuation Method.
MOD ....Other Modified Reserve Method (e.g., CRVM graded into Net Level).
VM-20 NPR ....Net Premium Reserve Component of VM-20 Reserve.
VM-20 DET/STO ....Deterministic/Stochastic Reserve Component of VM-20 Reserve (Excess over Net Premium Reserve).
VM-22 ....Any CARVM Reserve Calculated Using Valuation Interest Rates Defined in Section VM-22 of the *Valuation Manual*.

Age Basis

ANB ....Age Nearest Birthday.
ALB ....Age Last Birthday.
(-1) ....With Ages Reduced One Year.

Other

CRF ....Curtate Functions.
CNF ....Continuous Functions.
CP ....Continuous Premiums (but curtate death benefit).
IDB ....Immediate Death Benefit (but non-continuous premiums).
55-79 ....Issue years 1955 to 1979 inclusive.

For example, typical entries for life insurance reserve bases in Exhibit 5 might be:

LIFE INSURANCE: NLP ANB CRF unless otherwise indicated

1. 41 CSO 2 1/2% 1947–1965

2. 58 CSO 4%/10/2% CRVM ALB CNF 1978–1980

3. 2001 CSO 4.0%/10/2% CRVM ALB CNF......... 2006–2016

4. 2017 CSO VM-20 4.0% NPR............................. 2017

5. VM-20 DET/STO 2017

If additional space is needed to adequately describe the basis of valuation, use Note 31 of the Notes to Financial Statements to write in this information.

Column 5 – Credit (Group and Individual)

Include: Business not exceeding 120 months.

Refer to *SSAP No. 59—Credit Life and Accident and Health Insurance Contracts* for accounting guidance.

Life Insurance

Include the reserve for future transfers of unaccrued tabular net premiums to the end of the current contract year for variable life insurance contracts.

For any life insurance business valued under Section VM-20 of the *Valuation Manual*, include the total CRVM reserve required by VM-20 split into the following components, with each component on a separate line:

The Net Premium Reserve identifying the valuation basis

The balance of the total required (Excess over Net Premium)

Annuities

For any annuity contracts valued using valuation interest rates defined in Section VM-22 of the *Valuation Manual*, include the reserve for Jumbo and Non-Jumbo contracts on separate lines in 50 basis point valuation interest rate intervals.

For example, typical entries in Exhibit 5 might be:

1. 2012 IAR VM-22 Jumbo 2% – 2.49%.............2018 – 20XX
2. 2012 IAR VM-22 Jumbo 2.5% – 2.99%...........2018 – 20XX
3. 2012 IAR VM-22 Non-Jumbo 2% – 2.49%........2018 – 20XX
4. 2012 IAR VM-22 Non-Jumbo 2.5% – 2.99%......2018 – 20XX

Disability – Disabled Lives

Include "unaccrued" portion of liability for incurred claims (whether reported or unreported).

Miscellaneous Reserves

Classification by mortality and interest standards not required.

The words "return of premiums" in Line 2 of this section do not refer to benefits under so-called return premium policies, but to the return of some part of the premium paid for the period current at the time of death. Compute reserve on basis of level premiums, not successive one-year term premiums.

Include: The reserve for variable life insurance minimum death benefit guarantees in this section.

The non-deduction of deferred fractional premiums or return of premiums at the death of the insured.

Surrender values in excess of reserves otherwise required and carried in this exhibit.

The additional actuarial reserves-asset/liability analysis.

NOTE: Total Reserve (9999999) at bottom of page should agree with Liabilities, Surplus and other Funds page, Line 1.

EXHIBIT 5 – INTERROGATORIES

Interrogatories 1 and 2

If the response to Interrogatories 1 and 2 indicate that the reporting entity issues or has issued participating insurance, the reporting entity shall supply the response to these interrogatories and an actuarial opinion as an attachment to the annual statement.

Instructions for Actuarial Opinion

Process of Dividend or Refund Determination

Describe the general methods and procedures used to determine dividends or refunds. The term "refunds" is limited to amounts declared by Fraternal organizations, paid or payable, to its members. Experience rating refunds are excluded.

Description of Experience Factors

Describe the basis used in making any distinction in experience factors that underlie the determination of dividends or refunds. The description should specifically include the basis for the following:

a. Investment income factors
b. Claims factors
c. Expense factors
d. Termination factors
e. Any other factors that may have a material effect on the dividends or refunds of any group of contracts.

Also, describe in a qualitative way any material changes made in the basis used to determine those factors.

Actuarial Interrogatories

I. Has the contribution principle been followed in determining dividends or refunds? If not, describe.

II. Has any material change occurred with respect to the determination of contract factors? If yes, describe.

III. Have there been any changes in the scales of dividends or refunds on new or existing business authorized for illustration by the reporting entity? If yes, describe in general the changes that were made.

IV. Have there been any changes in the scales of dividends or refunds apportioned for payment? If yes, describe in general the changes that were made.

V. For each major block of business, indicate when the dividend or refund scale was last changed (including changes described in IV above), and indicate the extent of such change in terms of the percentage by which dividends or refunds payable under the new scale exceeded or were less than those that would have been paid in the year of change had the scale not been changed.

VI. Does the dividend or refund scale incorporate the use of projections or forecasts of experience factors for any period in excess of two years beyond the effective date of the scale? If yes, describe.

VII. In the matter of determining investment income experience factors, state whether the reporting entity uses (a) a portfolio average approach, (b) an investment generation approach, or (c) a combination of the two approaches. If (b) or (c), describe the general basis used, including the issue year groupings.

VIII. With respect to contract loan provisions:

Describe how differences in such provisions affect dividends or refunds.

Does the dividend or refund scale contain any provision for varying the amount of dividend or refund in accordance with the extent to which an individual contract's loan provision is utilized? If yes, indicate the blocks of business where this treatment pertains, and describe the basis of variation used.

IX. Does the reporting entity pay termination dividends or refunds on its contracts? If yes:

a. Are they payable on death, surrender, and maturity?

b. Are they payable or credited either upon the commencement of nonforfeiture insurance or upon termination thereof by death, surrender, or maturity?

c. Do they reflect the incidence, size, and growth of amounts that may be attributed to the contracts in question?

If the answer to a., b., or c. is no, describe the basis used.

X. Does the reporting entity maintain separate participating and non-participating accounts? If yes, describe the basis.

XI. Are any transfers made from a participating account to another participating, non-participating, or shareholders' account? If yes, describe the basis for the transfers.

XII. Does the undersigned believe there is a substantial probability that, because of expected deterioration of experience or for any other reason, the dividends or refunds illustrated on new or existing business cannot be supported for at least two years? If yes, explain why.

XIII. Describe any aspects of the determination of the dividend or refund scale not covered above that involve material departures from the Actuarial Standards of Practice issued by the Actuarial Standards Board applicable to the determination of dividends or refunds.

XIV. Describe any material changes in the basis of determination of the dividend or refund scale that are not covered above.

The actuarial opinion should include a paragraph such as the following regarding dividends and refunds:

Actuarial Opinion

I, (name, title), am (relationship to Reporting Entity) and a Member of the American Academy of Actuaries. I have examined the actuarial assumptions and methods used in determining dividends or refunds under the dividend or refund scale for the individual participating life insurance contracts of the reporting entity issued for delivery in the United States. The dividends or refunds encompassed by this scale include:

i. Apportioned for payment during (year following year of statement); and

ii. In effect as of January 1, (year following year of statement) that are illustrated for payment on new or existing business in (second year following year of statement) and later that are authorized for illustration by the reporting entity.

My examination included such review of the actuarial assumptions and methods of the underlying basic records and such tests of the actuarial calculations, as I consider necessary. In my opinion, these dividends or refunds have been determined in accordance with Actuarial Standards of Practice issued by the Actuarial Standards Board applicable to the determination of dividends or refunds except as described above.

____

Signature of Actuary

____

Date

Interrogatory 3

This interrogatory relates to the determination of nonguaranteed elements in individual life insurance and annuity contracts that provide for the adjustment of benefits, premiums or charges from time to time. For purposes of this question, the term "determination" shall mean both determination at issue and subsequent redetermination.

For the purpose of this interrogatory, "Individual Contracts" includes contracts issued under the "group" umbrella of any trust that does not have the discretion to select the insurer(s) on behalf of all the individual insureds.

The specific types of business encompassed by this question include, but are not limited to, the following types of contracts if they contain nonguaranteed elements:

1. Single and periodic premium deferred annuities.

2. Universal Life contracts providing for fixed and/or flexible premiums.

3. Adjustable periodic premium life contracts, also known as indeterminate premium life contracts.

4. Single and periodic premium life contracts.

5. Renewable and convertible term insurance contracts which do not guarantee the premiums payable upon renewal, or which provide for renewal on the then current premium basis.

The term "nonguaranteed" does not apply to charges or benefits that contractually follow a separate account result or a defined index.

INSTRUCTIONS FOR ACTUARIAL OPINION

Determination Procedures

For all contracts subject to this interrogatory which were first introduced during the current year and for any other such contracts not previously reported, define the reporting entity's policy to be used in the process of determining nonguaranteed elements, with particular reference to the degree of discretion reserved for the reporting entity, together with the general methods and procedures which are expected to be used.

Actuarial Interrogatories

I. Since this statement was last filed, have there been any changes in the values of nonguaranteed elements on new or existing business authorized for illustration by the reporting entity? If yes, describe the changes that were made.

II. Since this statement was last filed, have there been any changes in the values of nonguaranteed elements actually charged or credited? If yes, describe the changes that were made.

III. Indicate to what extent any changes described in I or II vary from the contract and/or general methods and procedures last reported for the affected contracts.

IV. Are the anticipated experience factors underlying any nonguaranteed elements different from current experience? If yes, describe in general terms the ways in which future experience is anticipated to differ from current experience and the nonguaranteed element factors that are affected by such anticipation.

V. State whether anticipated investment income experience factors are based on: (a) a portfolio average approach, (b) an investment generation approach, or (c) other. If (b) or (c), describe the general basis used, including the investment generation groupings.

VI. Describe how the reporting entity allocates anticipated experience among its various classes of business.

VII. Does the undersigned believe there is a substantial probability that illustrations authorized by the reporting entity to be presented on new and existing business cannot be supported by currently anticipated experience? If yes, indicate which classes and explain.

VIII. Describe any aspects of the determination of nonguaranteed elements not covered above that involve material departures from the Actuarial Standards of Practice issued by the Actuarial Standards Board, applicable to the determination of nonguaranteed elements.

The actuarial opinion should include a paragraph such as the following regarding nonguaranteed elements:

ACTUARIAL OPINION

I, (name, title), am (relationship to Company) and a Member of the American Academy of Actuaries. I have examined the actuarial assumptions and methods used in determining nonguaranteed elements for the individual life insurance and annuity contracts of the reporting entity used for delivery in the United States. The nonguaranteed elements included are those:

i. Paid, credited, charged or determined in (year of statement); and

ii. Authorized by the Reporting Entity to be illustrated on new and existing business during (year of statement).

My examination included such review of the actuarial assumptions and methods of the underlying basic records and such tests of the actuarial calculations, as I considered necessary. In my opinion, the nonguaranteed elements described above have been determined in accordance with Actuarial Standards of Practice issued by the Actuarial Standards Board applicable to the determination of nonguaranteed elements, except as described above.

Signature of Actuary

Date

<u>**Interrogatory 7**</u>

For purposes of this footnote disclosure, a synthetic GIC is defined as a contract or agreement in which the insurance entity guarantees specified payouts under the terms of an employee benefit plan from assets not owned by the insurance entity.

<u>**Interrogatory 8**</u>

For purposes of this footnote disclosure, a Contingent Deferred Annuity is defined as an annuity contract that establishes a life insurer's obligation to make periodic payments for the annuitant's lifetime at the time designated investments, which are not owned or held by the insurer, are depleted to a contractually defined amount due to contractually permitted withdrawals, market performance, fees and/or other charges.

<u>**Interrogatory 9**</u>

For purposes of this footnote disclosure, a Guaranteed Lifetime Income Benefit is defined as a fixed deferred annuity contract, agreement or rider in which the insurance entity guarantees specified payouts during the lifetime of the insured(s) regardless of the performance of a contractual account value that is used to determine cash surrender values and traditional withdrawal benefits.

EXHIBIT 5A – CHANGES IN BASES OF VALUATION DURING THE YEAR

Increase or (decrease) in the actuarial reserves or liability included in Exhibits 5, 6 or 7 due to changes in the valuation bases during the calendar year should be included if the change is applicable to policies or contracts issued prior to January 1 of the current year. Show changes in bases separately by lines of business **(increases as a positive amount and decreases as a negative amount).**

If necessary, reporting entities may add lines to report each change in each reserve in basis used.

The total (increase) or decrease should be excluded from income section of the Summary of Operations page and Analysis of Operations by Line of Business page.

Include supplementary contracts set up on a basis other than that used to determine benefits.

Life Contracts subtotal should agree with Analysis of Increase in Reserves During the Year on the "Increase in reserve on account of change in valuation basis" line.

Life Contract changes in basis of valuation during the year come from Exhibit 5. Similarly, Accident and Health Contract changes come from Exhibit 6 and Deposit-Type Contract changes come from Exhibit 7.

EXHIBIT 6 – AGGREGATE RESERVES FOR ACCIDENT AND HEALTH CONTRACTS

Refer to *SSAP No. 50—Classifications of Insurance or Managed Care Contracts* for life, accident and health and deposit-type contract definitions and *SSAP No. 54R—Individual and Group Accident and Health Contracts* for guidance regarding the bases for such additional contract reserves. The net amount should agree with the appropriate items in Schedule H – Accident and Health, and also Page 3, Line 2.

Line 2 – Additional Contract Reserves

A reserve must be carried in this line for any policy or block of policies:

i. With which level premiums are used, or

ii. With respect to which, due to the gross premium structure at issue, the value of future benefits exceeds the value of appropriate future valuation net premiums.

A reserve must be carried for any block of contracts for which future gross premiums when reduced by expenses for administration, commissions, and taxes will be insufficient to cover future claims or services.

A reporting entity that enters the entire active life reserve (other than the reserves required for Line 4) in a single sum must enter such amount in Line 2. Provide a statement as to the valuation standard used in calculating this reserve, specifying reserve bases, interest rates and methods.

Line 4 – Reserve for Future Contingent Benefits (Active Life Reserve) or

Line 11 – Reserve for Future Contingent Benefits (Claim Reserve)

A reserve must be carried in either of these lines or in Exhibit 8, Part 1, Line 3 for any certificate that provides for extension of benefits after termination of the certificate or of any insurance there under. Such benefits, which actually accrue and are payable at some future date, are predicated on a condition or actual disability which exists at the termination of the insurance and which is usually not known to the company. These benefits are normally provided by contract provision but may be payable as a result of court decisions or of departmental rulings. This reserve is required in addition to the "present value of amounts not yet due on claims" (Exhibit 6, Line 9).

Line 5 – Aggregate Write-ins for Reserves

Enter the total of write-ins listed in schedule "Detail of Write-ins Aggregated at Line 5 for Reserves."

Line 9 – Present Value of Amounts Not Yet Due on Claims

Include: Reserves for unaccrued benefits on incurred but unreported claims. Accrued benefits should be reported in Exhibit 8, Part 1, Lines 2.2 and 3.

Line 12 – Aggregate Write-ins for Reserves

Enter the total of write-ins listed in schedule "Detail of Write-ins Aggregated at Line 12 for Reserves."

Line 16 – Total of Lines 8 and 15

Column 1 should agree with the aggregate accident and health reserve line, on the Liability page.

Line 17 – Tabular Fund Interest

Include: Tabular fund interest on those reserves that have used interest assumptions in their derivation.

Details of Write-ins Aggregated at Line 5 for Reserves

List all reserves for which there is no pre-printed line in Exhibit 6, Aggregate Accident and Health Reserves, Active Life Reserves.

Include: Accrued return premium adjustments for contracts subject to redetermination.

Details of Write-ins Aggregated at Line 12 for Reserves

List all reserves for which there is no pre-printed line in Exhibit 6, Aggregate Accident and Health Reserves, Claim Reserves.

EXHIBIT 7 – DEPOSIT-TYPE CONTRACTS

This exhibit is intended to capture information about the activity, before and after any reinsurance, for deposit-type contracts. Include supplementary contracts without life contingencies, annuities certain, income settlement options, premium and deposit funds, and other contracts as defined in *SSAP No. 52—Deposit-Type Contracts*.

Column 2 – Guaranteed Interest Contracts

Include: Contracts that do not subject the reporting entity to any mortality or morbidity risk.

Column 3 – Annuities Certain

Include: Amounts settled under contracts without any mortality or morbidity risk, e.g., certain immediate annuity contracts; amounts associated with lottery payouts, structured settlements, income settlement options or other amounts where payments are for a fixed period or amount.

Exclude: Amounts reported in Column 2 or 4.

Column 4 – Supplemental Contracts (without life contingencies)

Include: Amounts resulting from proceeds settled under a settlement option provision of a life or annuity contract without any mortality or morbidity risk.

Column 5 – Dividend Accumulations or Refunds

Include: Amounts held on account related to contracts without any mortality or morbidity risk.

Column 6 – Premium and Other Deposit Funds

Include: Amounts not reported elsewhere in this exhibit for contracts that do not incorporate any mortality or morbidity risk.

Line 2 – Deposits Received During the Year

Include: Considerations or amounts from policy or contract holders that increased the fund balance.

Line 3 – Investment Earnings Credited to the Account

Include: Amounts earned and/or credited to the account. Describe method of determination in "Notes to Financial Statements" under Actuarial Reserve Note 32.

Line 4 – Other Net Changes in Reserves

Include: The net difference between periods when the reserve amount held differs from the accumulated account balance, including income accumulations less withdrawal and applicable surrender charges. Enter appropriate amounts from 0399999 of Exhibit 5A changes in bases of valuation during the year.

Increase (Decrease) by Foreign Currency Adjustment:

Report amounts needed to adjust from the spot rate to a periodic rate. Refer to *SSAP No. 23—Foreign Currency Transactions and Translations* for accounting guidance.

Line 5 – Fees and Other Charges Assessed

Include: Any fees or assessments to the account that reduce the balance and are reported as income by the company.

Exclude: Interest earned and/or credited to the account reported in Line 3.

Line 6 – Surrender Charges

Include: Charges assessed for policy or contract surrenders or withdrawals, e.g., early withdrawal penalties.

Line 7 – Net Surrender or Withdrawal Payments

Include: The net proceeds paid or payable (after deduction for surrender charges) to the contract holder.

Line 14 – Net Balance at the End of the Current Year After Reinsurance

The amounts reported should be consistent with those reported on the Liability page, Line 3, Liability for Deposit Type Contracts.

EXHIBIT 8 – CLAIMS FOR LIFE AND ACCIDENT AND HEALTH CONTRACTS

PART 1 – LIABILITY END OF CURRENT YEAR

This part of the exhibit provides an analysis of the contract liability reported in the balance sheet.

A reporting entity shall not omit the columns for any lines of business in which it is not engaged. All figures for the ordinary variable life insurance business of the society excluding separate accounts items shall be included in Column 3. Fraternal benefit societies do not need to complete Columns 2, 6, 7, 8, 9 and 10 since these columns reflect lines of business not written by fraternals.

Exclude liabilities reported in the Separate Accounts Statement.

For each item:

Net = Direct + Reinsurance Assumed – Reinsurance Ceded

Column 11 – Other Accident and Health

Include: All Medicare Part D Prescription Drug Coverage, whether sold on a stand-alone basis or through a Medicare Advantage product and whether sold directly to an individual or through a group.

Line 1 – Due and Unpaid

Include: Only claims which are complete except for the payment of the amount due, or the recording of the amount paid in the appropriate claims accounts.

Line 2 – In Course of Settlement

Include: Other contract claims that have been reported and are pending at the end of the year. They represent cases that are at different stages of completion of claim processing, ranging from the time of initial receipt of claims or notification of claims to the time where the cases are nearly complete, but not complete enough to be shown in Line 1. Claims in course of settlement are segregated between Resisted, Line 2.1 and Other, Line 2.2.

Line 2.1 – Resisted

Include: Resisted claims on life and annuity contracts. A claim is considered resisted when it is in dispute and not resolved on the statement date.

Line 2.2 – Other

Include: Claims in course of settlement, not shown in Line 2.1, including resisted accident and health claims.

Line 3 – Incurred but Unreported

Report all contract claims incurred on or prior to December 31 of the statement year but not reported to the company until after that date. Only the portion of disability benefits which pertain to disability periods prior to January 1 of the year following the statement year should be reported; for example, the amount which would be payable for the elapsed period if disability were approved. The liability for unaccrued benefits is included in the Certificate and Contract Reserves liability (Page 3, Lines 1 and 2 and Exhibits 5 and 6).

Line 4 – Totals

Line 4.1 = Line 1.1 − Line 2.11 − Line 2.21 + Line 3.1

Line 4.2 = Line 1.2 − Line 2.12 − Line 2.22 + Line 3.2

Line 4.3 = Line 1.3 − Line 2.13 − Line 2.23 + Line 3.3

Line 4.4 = Line 1.4 − Line 2.14 − Line 2.24 + Line 3.4

Line 4.4, Column 1 should agree with Page 3, the sum of Lines 4.1 and 4.2

EXHIBIT 8 – CLAIMS FOR LIFE AND ACCIDENT AND HEALTH CONTRACTS

PART 2 – INCURRED DURING THE YEAR

A reporting entity may not omit the columns for any lines of business in which it is not engaged. Fraternal benefit societies do not need to complete Columns 2, 6, 7, 8, 9 and 10 since these columns reflect lines of business not written by fraternals.

Include benefits and withdrawals that are transferred from the Separate Accounts Statement. They are also to be reported as benefits and withdrawals in the Separate Accounts Statement.

Column 11 – Other Accident and Health

Include: All Medicare Part D Prescription Drug Coverage, whether sold on a stand-alone basis or through a Medicare Advantage product and whether sold directly to an individual or through a group.

For Lines 1, 2, 4, and 6: Net = Direct + Reinsurance Assumed – Reinsurance Ceded

Line 1 – Settlements During the Year

Include: Contract claim amounts retained under supplementary contracts.

Line 3 – Amounts Recoverable from Reinsurers December 31, Current Year and
Line 5 – Amounts Recoverable from Reinsurers December 31, Prior Year

Include Reinsurance recoveries billed on paid losses but not received.

These amounts should agree to the amounts reported in Schedule S, Part 2, Column 6.

Line 6 – Incurred Benefits

Line 6.1 = Line 1.1 + Line 2.1 – Line 4.1

Line 6.2 = Line 1.2 + Line 2.2 – Line 4.2

Line 6.3 = Line 1.3 + Line 2.3 + Line 3 – Line 4.3 – Line 5

Line 6.4 = Line 1.4 + Line 2.4 – Line 3 – Line 4.4 – Line 5

EXHIBIT OF NONADMITTED ASSETS

This schedule should include the nonadmitted (both group and individual) amounts for both invested assets and other-than-invested assets.

The lines in this schedule are identical to those included in the Assets Page. The Column 1 amount should equal the amount reported in the same specific line in the Nonadmitted Assets column of the Assets Page (Page 2, Column 2, Line 28).

Column 1 – Current Year Total Nonadmitted Assets

Include:

Nonadmitted goodwill as prescribed in *SSAP No. 68—Business Combinations and Goodwill*.

Nonadmitted invested assets due to state aggregate investment limitations.

Nonadmitted amounts due to specific surplus notes.

Nonadmitted invested asset amounts due to designation restrictions by the state (e.g., designation 6 securities must be partially or wholly nonadmitted).

Non-operating systems software.

Electronic data processing (EDP) equipment and operating software in excess of 3% of capital and surplus for the most recently filed statement adjusted to exclude any EDP equipment and operating system software, net deferred tax assets and net positive goodwill.

Prepaid expense (*SSAP No. 29—Prepaid Expenses*).

Column 2 – Prior Year Total Nonadmitted Assets

This column should contain the total (sum of group and individual) nonadmitted amounts from the prior year annual statement.

Column 3 – Change in Total Nonadmitted Assets

This column should equal Column 2 minus Column 1. The amount reported in the total line of this column should equal the amount reported in the "Change in Nonadmitted Assets" line of the Capital and Surplus Account calculation.

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NOTES TO FINANCIAL STATEMENTS

Notes to the Annual Statement are to be filed on March 1.

These instructions include guidance for the annual statement blank. These instructions provide specific examples that illustrate the disclosures required by the *Accounting Practices and Procedures Manual* and depict the application of certain Statements of Statutory Accounting Principles (SSAP). UNLESS OTHERWISE INDICATED, the format and level of detail in the illustrations are not requirements. The NAIC encourages a format that provides the information in the most understandable manner in the specific circumstances. Entities are not required to display the disclosure information contained herein in the specific manner illustrated, except where indicated in the illustrations provided for specific notes.

To facilitate comparison to the electronic notes database, the following data-captured disclosures should be presented in whole dollars in the same format and level of detail in the specific manner shown in the illustration. When the disclosure for a particular illustration is not applicable or the reporting entity has nothing to report, the reporting entity is not required to present the disclosure in the illustrated format with zero amounts except for the reconciliation table illustrated in Note 1A, which must be provided regardless of whether the reporting entity has any state prescribed or permitted practices. It will still be acceptable to indicate "none" or "not applicable" for the whole disclosure or specific parts of the disclosure, as appropriate, as long as the numbering format of the disclosure is preserved. Following the presentation of the illustration is not meant to preclude reporting entities from providing additional clarification before or after the illustration to enable users to better understand the disclosure.

Note #	Parts to be presented in whole dollars in the same format and level of detail in the specific manner shown in the illustration.
1	1A(1) through 1A(8)
3	3A
4	4A(1), 4A(3) and 4A(4)
5	5A(3) through 5A(8), 5B(1) through 5B(3), 5D(2) through 5D(4), 5E(3)a, 5E(3)b, 5E(5)a, 5E(7), 5F, 5G, 5H, 5I, 5L(1) through 5L(4), 5M(1), 5M(2), 5N, 5O, 5P, 5Q and 5R
9	9A1, 9A2, 9A3, 9A4 and 9C
8	8H
10	10M 10N(2), and 10O
11	11B(2) through 11B(4)
12	12A(1) through 12A(8), 12A(11), 12A(12) and 12[illegible]
13	13(11) and 13(12) NOTE: Applies to the table only and does not apply to narratives of these disclosures.
14	14A(2), 14A(3), 14B(2), 14B(3) and 14[illegible]
15	15A(2)a, 15B(1)a, 15B(2)b and 15B(2[illegible]
16	16(1)
17	17C(2)
18	18A and 18B
19	All
20	20A(1), 20A[illegible], 2[illegible] and 20D
21	21E[illegible], 21E[illegible], 21F[illegible] through 21F(4), 21G(2), 21G(3) and 21H
22	22A through 22[illegible]
23	[illegible])a, 23D(2)a and 23G
24	24[illegible] and 24E
27	All
28	All
30	All
31	31(6)
32	32A through 32F
33	33A
34	34A(2), 34A(3), 34B(1) through 34B(4), and 34C

The following disclosures are applicable to the annual statement filed March 1. In the annual statement filed on March 1, a) a disclosure or response must be provided for every item (indicate "none" or "not applicable" if appropriate), and b) the reporting entity must not alter the number scheme of the notes. Notes are to be presented in numerical order including those notes that will be noted as "none." Users should note the NAIC would utilize Note 21, Other Items, to include information required by recently adopted SSAPs.

1. Summary of Significant Accounting Policies and Going Concern

Instruction:

Refer to *SSAP No. 1—Accounting Policies, Risks & Uncertainties, and Other Disclosures* for accounting guidance regarding disclosure requirements. The major disclosure requirements are as follows:

A. This note **(including a table reconciling income and surplus between the state basis and SAP basis)** is required to be completed, even if there are no prescribed practices or permitted practices to report.

Indicate that the statement has been completed in accordance with the *Accounting Practices and Procedures Manual*. If a reporting entity employs accounting practices that depart from the *Accounting Practices and Procedures Manual*, including different practices required by state law, disclose the following information about those accounting practices.

Include:

- A description of the accounting practice;
- A statement that the accounting practice differs from NAIC statutory accounting practices and procedures (NAIC SAP) identifying whether the practice is a departure from NAIC SAP or from a state prescribed practice and include the financial statement reporting lines predominantly impacted by the permitted or prescribed practice. (Although most practices impact net income or surplus, direct reference to those lines should be avoided. The intent is to capture the financial statement lines reflecting the practice which ultimately impacts net income or statutory surplus.)
- The monetary effect on net income and statutory surplus of using an accounting practice that differs from NAIC statutory accounting practices and procedures; and
- If an insurance enterprise's risk-based capital would have triggered a regulatory event had it not used a prescribed or permitted practice, that fact should be disclosed in the financial statements.

In addition, disclose the following information about accounting practices when NAIC statutory accounting practices and procedures do not address the accounting for the transaction:

- A description of the transaction and of the accounting practice used; and
- A statement that the NAIC statutory accounting practices and procedures do not address the accounting for the transaction.

A table reconciling income and surplus between the state basis and NAIC SAP basis for the current reporting period and the prior year-end shall be provided. The reconciliation table is required even if the reporting entity does not have any permitted or prescribed practices to report.

The reconciliation shall include:

Brief description of the prescribed or permitted practice;

SSAP # Enter the SSAP numbers to which the permitted or prescribed practice primarily pertains.

For example, use "43R" for SSAP No. 43R or "19" for SSAP No. 19. If multiple SSAPs are needed for the prescribed or permitted practice, separate with a comma (19,43R).

For permitted practices from state regulations, use "00."

If multiple SSAPs are needed for the prescribed or permitted practice, separate with a comma (19,43R,00).

Financial statement pages (F/S pages) primarily impacted by the permitted or prescribed practice.

Only the following pages should be referenced.

2 – Assets

3 – Liabilities, Surplus and Other Funds

4 – Summary of Operations

5 – Cash Flow

Use "N/A" for permitted or prescribed practices that do not impact the financial statements pages above.

If multiple pages are needed for the prescribed or permitted practice, separate with a comma (3,4).

Financial statement reporting lines (F/S lines) of the key financial statement page primarily impacted by the permitted or prescribed practice

(References to the financial statement reporting line for net income or statutory surplus should be avoided. The intent is to capture the financial statement line reflecting the practice which ultimately impacts net income or statutory surplus.)

If "N/A" was used for the F/S page, use "N/A" for the F/S line.

If multiple lines are needed for the prescribed or permitted practice, separate with a comma (1,8).

Below are examples of permitted and prescribed practices the reporting entity may or may not be using which could be disclosed. The reporting entity may have others not shown below.

Differences in the accounting and reporting of:

- Goodwill
- Admission of Fixed Assets
- Value of Home Office Property

NOTE: Amounts reported in other notes to the financial statements shall reference Note 1 if impacted by prescribed or permitted practices. The following is an example of inserting a statement within applicable notes:

Example Illustration: Note 3. Business Combinations and Goodwill

Illustration:

A. Statutory Purchase Method

(1) The Company purchased 100% interest of XYZ Insurance Company on 6/30/_____. XYZ Insurance Company is licensed in 49 states and sells individual term life products exclusively.

(2) The transaction was accounted for as a statutory purchase.

(3) The cost was $_________, resulting in goodwill in the amount of $_________.*

(4) Goodwill amortization relating to the purchase of XYZ Insurance Company was $_________ for the year ended 12/31/_____.*

* These amounts reflect prescribed or permitted practices that depart from the *NAIC Accounting Practices and Procedures Manual*. See Note 1, Summary of Significant Accounting Policies for additional information.

B. Include an explanation that the preparation of financial statements is in conformity with the *Annual Statement Instructions* and *Accounting Practices and Procedures Manual* requires the use of management's estimates.

C. Disclose all accounting policies that materially affect the assets, liabilities, capital and surplus or results of operations.

Include:

(1) Basis at which the short-term investments are stated.

(2) Basis at which the bonds, mandatory convertible securities and SVO-Identified investments identified in SSAP No. 26R are stated, and the amortization method.

Amortization method for bonds and mandatory convertible securities and if elected by the reporting entity, the approach for determining the systematic value for SVO-Identified securities per SSAP No. 26R. If utilizing the systematic value measurement method approach for SVO-Identified investments, the reporting entity must include the following information:

- Whether the reporting entity consistently utilizes the same measurement method for all SVO-Identified investments (e.g., fair value or systematic value). If different measurement methods are used, information on why the reporting entity has elected to use fair value for some SVO-Identified investments and systematic value for others.

- Whether SVO-Identified investments are being reported at a different measurement method from what was used in an earlier current-year interim and/or in a prior annual statement. (For example, if reported at systematic value prior to the sale, and then reacquired and reported at fair value.) This disclosure is required in all interim reporting periods and in the year-end financial statements for the year in which an SVO-Identified investment has been reacquired and reported using a different measurement method from what was previously used for the investment. (This disclosure is required regardless of the length of time between the sale/reacquisition of the investments, but is only required in the year in which the investment is reacquired.)

- Identification of securities still held that no longer qualify for the systematic value method. This should separately identify those securities that are still within scope of SSAP No. 26R and those that are being reported under a different SSAP.