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

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

FROM: Calvin Ferguson, Senior Insurance Reporting Analyst

DATE: September 1, 2018

RE: 2018 Title Annual Statement Instructions

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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*.



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NAIC
National Association of Insurance Commissioners

# Official NAIC Annual Statement Instructions

## Title

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**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***

**NAIC**

**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:*

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**Investment Schedules**

Page #

**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 Title Annual Statement Blank

## FOREWORD

Line titles and columnar headings of the various statement items and lines are in general self-explanatory and as such constitute instructions. Specific instructions are prescribed for items and lines about which there might be questioned 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 NAIC *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 Asset page, Line 28, Net Admitted Assets Column and the Liability page, Line 23, Total Liabilities shall be reported on the Liability page, Line 30.

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 47 (Overflow page), followed by 47.1, 47.2, 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

Complete the annual statement in accordance with the NAIC *Annual Statement Instructions* and *Accounting Practices and Procedures Manual* except to the extent that: (1) state law may differ, or (2) 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.

   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

   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 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 (Ø) 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 ½" 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 item 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 37.1, 37.2, etc. For example, General Interrogatories, Part 1 – Common Interrogatories 14, 14.1, 14.2 etc., and Part 2 – Title Interrogatories 15, 15.1, 15.2, etc.

    If pages are doubled up, double up the page numbers also. For example, if Pages 37, 38 and 39 are shown on the same page, show all three page numbers at the bottom of the page like 37, 38 and 39 or 37-39.

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 shall 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 of Assets and Liabilities* for accounting guidance.

16. Unless otherwise specified, report all alphabetic 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 must 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 changes are required for amounts reported in prior years, such changes are included in the amounts reported for the current year. Report the effects of such changes as follows, unless these Instructions or the NAIC *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 Page 4, Line 25 Cumulative Effect of Changes in Accounting Principles. The cumulative effect of changing to a new accounting principle is the difference between the amount of net worth at the beginning of the year and the amount of net worth 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 Statement of Revenue, Expenses and Capital & Surplus for the current year. For example, a change in the estimate of loss reserves for losses related to prior years are included in the Statement of Revenue, Expenses and Capital & Surplus in losses incurred for the current year.

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. Report such adjustments to surplus with an appropriate identifying title as a write-in item for the Aggregate Write-ins for Gains or (Losses) in Surplus line.

D. In the case of a merger, prior year's amounts reported for assets, liabilities, surplus, revenues and expenses and those amounts reflected in supporting annual statement schedules, are 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 P) shall 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.

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 parent 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.

## ACTUARIAL OPINION

1. There is to be included with or attached to Page 1 of the Annual Statement, the statement of a Qualified Actuary, entitled "Statement of Actuarial Opinion" (Actuarial Opinion) setting forth his or her opinion relating to reserves specified in the SCOPE paragraph. The Actuarial Opinion, both the narrative and **required** exhibits, shall be in the format of and contain the information required by this section of the *Annual Statement Instructions – Title*.

   The Qualified Actuary must be appointed by the Board of Directors or its equivalent, or by a committee of the Board, by December 31 of the calendar year for which the opinion is rendered. Upon initial appointment (or "retention"), the Company shall notify the domiciliary commissioner within five business days of the appointment with the following information:

   a. Name and title (and, in the case of a consulting actuary, the name of the firm).

   b. Manner of appointment of the Appointed Actuary (e.g., who made the appointment and when).

   c. A statement that the person meets the requirements of a Qualified Actuary.

   Once this notification is furnished, no further notice is required with respect to this person unless the actuary ceases to be appointed or retained or ceases to meet the requirements of a Qualified Actuary.

   If an actuary who was the Appointed Actuary for the immediately preceding filed Actuarial Opinion is replaced by an action of the Board of Directors, the Insurer shall within five (5) business days notify the Insurance Department of the state of domicile of this event. The Insurer shall also furnish the domiciliary commissioner with a separate letter within ten (10) business days of the above notification stating whether in the twenty-four (24) months preceding such event there were any disagreements with the former Appointed Actuary regarding the content of the opinion on matters of the risk of material adverse deviation, required disclosures, scope, procedures, type of opinion issued, substantive wording of the opinion or data quality. The disagreements required to be reported in response to this paragraph include both those resolved to the former actuary's satisfaction and those not resolved to the former actuary's satisfaction. The letter should include a description of the disagreements and the nature of its resolution (or that it was not resolved). The Insurer shall also request in writing such former actuary to furnish a letter addressed to the Insurer stating whether the actuary agrees with the statements contained in Insurer's letter and, if not, stating the reasons for which he or she does not agree; and the Insurer shall furnish such responsive letter from the former actuary to the domiciliary commissioner together with its own.

   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 Actuarial Opinion and the Actuarial Report must be made available to the Board of Directors. The minutes of the Board of Directors should indicate that the Appointed Actuary has presented such information to the Board of Directors or the Audit Committee and that the Actuarial Opinion and the Actuarial Report were made available. A separate Actuarial Opinion is required for each company filing an Annual Statement. When there is an affiliated company pooling arrangement, one Actuarial Report for the aggregate pool is sufficient, but there must be addendums to the Actuarial Report to cover non-pooled reserves for individual companies.

   The Actuarial Opinion and the supporting Actuarial Report and workpapers, should be consistent with the appropriate Actuarial Standards of Practice (ASOPs), including but not limited to ASOP No. 23, ASOP No. 36, ASOP No. 41 and ASOP No. 43, as promulgated by the Actuarial Standards Board, and Statements of Principles adopted by the Casualty Actuarial Society.

1A. Definitions

"Qualified Actuary" is a person who is either:

(i) A member in good standing of the Casualty Actuarial Society; or

(ii) A member in good standing of the American Academy of Actuaries who has been approved as qualified for signing casualty loss reserve opinions by the Casualty Practice Council of the American Academy of Actuaries.

"Insurer" or "Company" means a reporting entity authorized to write title insurance under the laws of any state and who files on the Title Blank.

"Actuarial Report" means a document or other presentation, prepared as a formal means of conveying to the state regulatory authority and the Board of Directors, or its equivalent, the actuary's professional conclusions and recommendations, of recording and communicating the methods and procedures, of assuring that the parties addressed are aware of the significance of the actuary's opinion or findings and of documenting the analysis underlying the opinion. The expected content of the Actuarial Report is further described in paragraph 7. (Note that the inclusion of the Board of Directors as part of the intended audience for the Actuarial Report does not change the content of the Actuarial Report as described in paragraph 7. The Appointed Actuary should present findings to the Board of Directors in a manner deemed suitable for such audience.)

1B. Exemptions

An insurer who intends to file for one of the exemptions under this section must submit a letter of intent to its domiciliary commissioner no later than December 1 of the calendar year for which the exemption is to be claimed. The commissioner may deny the exemption prior to December 31 of the same year if the exemption is deemed inappropriate.

A copy of the approved exemption must be filed with the Annual Statement in all jurisdictions in which the company is authorized.

Exemption for Small Companies

An insurer that has less than $1,000,000 total direct plus assumed written premiums during a calendar year, and less than $1,000,000 total direct plus assumed loss and loss adjustment expense reserves at year-end, in lieu of the Actuarial Opinion required for the calendar year, may submit an affidavit under oath of an officer of the insurer that specifies the amounts of direct plus assumed written premiums and direct plus assumed loss and loss adjustment reserves.

Exemption for Insurers under Supervision or Conservatorship

Unless ordered by the domiciliary commissioner, an insurer that is under supervision or conservatorship pursuant to statutory provision is exempt from the filing requirements contained herein.

Exemption for Nature of Business

An insurer otherwise subject to the requirement and not eligible for an exemption as enumerated above may apply to its domiciliary commissioner for an exemption based on the nature of business written.

Financial Hardship Exemption

An insurer otherwise subject to this requirement and not eligible for an exemption as enumerated above may apply to the commissioner for a financial hardship exemption.

Financial hardship is presumed to exist if the projected reasonable cost of the opinion would exceed the lesser of:

(i) One percent (1%) of the insurer's capital and surplus reflected in the insurer's latest quarterly statement for the calendar year for which the exemption is sought; or

(ii) Three percent (3%) of the insurer's direct plus assumed premiums written during the calendar year for which the exemption is sought as projected from the insurer's latest quarterly statements filed with its domiciliary commissioner.

2. The Statement of Actuarial Opinion must consist of an IDENTIFICATION paragraph identifying the Appointed Actuary; a SCOPE paragraph identifying the subjects on which an opinion is to be expressed and describing the scope of the actuary's work; an OPINION paragraph expressing his or her opinion with respect to such subjects and one or more additional RELEVANT COMMENTS paragraphs. These four sections must be clearly designated.

3. The IDENTIFICATION paragraph should indicate the Appointed Actuary's relationship to the Company, qualifications for acting as Appointed Actuary, and date of appointment, and specify that the appointment was made by the Board of Directors (or its equivalent) or by a committee of the Board.

   A member of the American Academy of Actuaries qualifying under paragraph 1A(ii) must attach, each year, a copy of the approval letter from the Academy.

   These instructions require that a Qualified Actuary prepare the Actuarial Opinion. If a person who does not meet the definition of a Qualified Actuary has been approved by the insurance regulatory official of the domiciliary state, the Company must attach, each year, a letter from that official stating that the individual meets the state's requirements for rendering the Actuarial Opinion.

4. The SCOPE paragraph should contain a sentence such as the following:

   "I have examined the actuarial assumptions and methods used in determining reserves listed in Exhibit A, as shown in the Annual Statement of the Company as prepared for filing with state regulatory officials, as of December 31, 20__, and reviewed information provided to me through XXX date."

   Exhibit A should list those items and amounts with respect to which the Appointed Actuary is expressing an opinion.

   The Appointed Actuary should state that the items in the SCOPE paragraph, on which he or she is expressing an opinion, reflect the Disclosure items (8 through 14) in Exhibit B.

   The SCOPE paragraph should include a paragraph such as the following regarding the data used by the Appointed Actuary in forming the opinion:

   "In forming my opinion on the loss and loss adjustment expense reserves, I relied upon data prepared by ________ (name, affiliation and relation to Company). I evaluated that data for reasonableness and consistency. I also reconciled that data to Schedule P, Parts 1 and 2 of the Company's current Annual Statement. In other respects, my examination included such review of the actuarial assumptions and methods used and such tests of the calculations as I considered necessary."

5. The OPINION paragraph should include a sentence that at least covers the points listed in the following illustration:

"In my opinion, the amounts carried in Exhibit A on account of the items identified:

A. Meet the requirements of the insurance laws of (state of domicile).

B. Are computed in accordance with accepted actuarial standards and principles.

C. Make a reasonable provision for all unpaid loss and loss adjustment expense obligations of the Company under the terms of its contracts and agreements."

If there is any aggregation or combination of items in Exhibit A, the opinion language should clearly identify the combined items.

Insurance laws and regulations shall at all times take precedence over the actuarial standards and principles.

If the actuary has made use of the work of another actuary (such as for pools and associations, for a subsidiary or for special lines of business) for a material portion of the reserves, the other actuary must be identified by name and affiliation within the OPINION paragraph.

A Statement of Actuarial Opinion should be made in accordance with one of the following sections (a through e). The actuary must explicitly identify in Exhibit B which type applies.

a. <u>Determination of Reasonable Provision.</u> When the carried reserve amount is within the actuary's range of reasonable reserve estimates, the actuary should issue a Statement of Actuarial Opinion that the carried reserve amount makes a reasonable provision for the liabilities associated with the specified reserves.

b. <u>Determination of Deficient or Inadequate Provision.</u> When the carried reserve amount is less than the minimum amount that the actuary believes is reasonable, the actuary should issue a statement of actuarial opinion that the carried reserve amount does not make a reasonable provision for the liabilities associated with the specified reserves. In addition, the actuary should disclose the minimum amount that the actuary believes is reasonable.

c. <u>Determination of Redundant or Excessive Provision</u>. When the carried reserve amount is greater than the maximum amount that the actuary believes is reasonable, the actuary should issue a Statement of Actuarial Opinion that the carried reserve amount does not make a reasonable provision for the liabilities associated with the specified reserves. In addition, the actuary should disclose the maximum amount that the actuary believes is reasonable.

d. <u>Qualified Opinion.</u> When, in the actuary's opinion, the reserves for a certain item or items are in question because they cannot be reasonably estimated or the actuary is unable to render an opinion on those items, the actuary should issue a qualified Statement of Actuarial Opinion. The actuary should disclose the item (or items) to which the qualification relates, the reasons for the qualification, and the amounts for such item(s), if disclosed by the Company. Such a qualified opinion should state whether the stated reserve amount makes a reasonable provision for the liabilities associated with the specified reserves, *except for* the item (or items) to which the qualification relates. The actuary is not required to issue a qualified opinion if the actuary reasonably believes that the item (or items) in question are not likely to be material.

e. <u>No Opinion.</u> The actuary's ability to give an opinion is dependent upon data, analyses, assumptions, and related information that are sufficient to support a conclusion. If the actuary cannot reach a conclusion due to deficiencies or limitations in the data, analyses, assumptions, or related information, then the actuary may issue a statement of no opinion. A statement of no opinion should include a description of the reasons why no opinion could be given.

6. The Appointed Actuary must provide RELEVANT COMMENT paragraphs to address the following topics of regulatory importance.

a. Risk of Material Adverse Deviation.

The Appointed Actuary must provide specific RELEVANT COMMENT paragraphs to address the risk of material adverse deviation. The Appointed Actuary must identify the materiality standard and the basis for establishing this standard with respect to the relevant characteristics of the Company. The materiality standard must also be disclosed in U.S. dollars in Exhibit B: Disclosures. The Appointed Actuary should include an explanatory paragraph to describe the major factors, combination of factors or particular conditions underlying the risks and uncertainties the actuary considers relevant. The explanatory paragraph should not include general, broad statements about risks and uncertainties due to economic changes, judicial decisions, regulatory actions, political or social forces, etc., nor is the Appointed Actuary required to include an exhaustive list of all potential sources of risks and uncertainties. The Appointed Actuary should explicitly state whether or not he or she reasonably believes that there are significant risks and uncertainties that could result in material adverse deviation. This determination is also to be disclosed in Exhibit B.

b. Other Disclosures in Exhibit B

RELEVANT COMMENT paragraphs should describe the significance of each of the remaining Disclosure items (8 through 14) in Exhibit B. The Appointed Actuary should address the items individually and in combination when commenting on a material impact.

If the Company's reserves will cause the ratio of One-Year or Two-Year Known Claims Reserve Development (shown in Schedule P, Part 3) to the respective prior year's Policyholders' Surplus to be greater than 20%, the Appointed Actuary must include RELEVANT COMMENT on the factors that led to the exceptional reserve development.

c. Reinsurance

RELEVANT COMMENT paragraphs should address reinsurance collectability, retroactive reinsurance and financial reinsurance .

The Appointed Actuary's comments on reinsurance collectability should address any uncertainty associated with including potentially-uncollectable amounts in the estimate of ceded reserves. Before commenting on reinsurance collectability, the Appointed Actuary should solicit information from management on any actual collectability problems, review ratings given to reinsurers by a recognized rating service, and examine Schedule F for the current year for indications of regulatory action or reinsurance recoverable on paid losses over ninety (90) days past due. The comment should also reflect any other information the actuary has received from management or that is publicly available about the capability or willingness of reinsurers to pay claims. The Appointed Actuary's comments do not imply an opinion on the financial condition of any reinsurer.

Retroactive reinsurance refers to agreements referenced in *SSAP No. 62R—Property and Casualty Reinsurance* of the *Accounting Practices and Procedures Manual*.

Financial reinsurance refers to contracts referenced in *SSAP No. 62R—Property and Casualty Reinsurance*, paragraph 35, of the *Accounting Practices and Procedures Manual* in which credit is not allowed for the ceding insurer because the arrangements do not include a transfer of both timing and underwriting risk that the reinsurer undertakes in fact to indemnify the ceding insurer against loss or liability by reason of the original insurance.

d. Reserve Development

If the Company's reserves will cause the ratio of One-Year or Two-Year Reserve Development (shown in Schedule P, Part 2) to the respective prior year's Policyholders' Surplus to be greater than 20%, the Appointed actuary must include RELEVANT COMMENT on the factors that led to the exceptional reserve development.

e. Methods and Assumptions

If there has been any significant change in the actuarial assumptions and/or methods from those previously employed, that change should be described in a RELEVANT COMMENT paragraph. If the Appointed Actuary is newly-appointed and does not review the work of the prior Appointed Actuary, then the Appointed Actuary should disclose this.

7. The Actuarial Opinion must include assurance that an Actuarial Report and underlying actuarial workpapers supporting the Actuarial Opinion will be maintained at the Company and available for examination for seven years. The Actuarial Report contains significant proprietary information. It is expected that the Actuarial Report be held confidential and not be intended for public inspection. The Actuarial Report must be available by May 1 of the year following the year-end for which the Opinion was rendered or within two (2) weeks after a request from an individual state commissioner.

The Actuarial Report should be consistent with the documentation and disclosure requirements of ASOP No. 41, Actuarial Communications. The Actuarial Report must contain both narrative and technical components. The narrative component should provide sufficient detail to clearly explain to company management, the Board of Directors, the regulator, or other authority the findings, recommendations and conclusions, as well as their significance. The technical component should provide sufficient documentation and disclosure for another actuary practicing in the same field to evaluate the work. This technical component must show the analysis from the basic data (e.g., loss triangles) to the conclusions.

The Actuarial Report must also include:

- A description of the Appointed Actuary's relationship to the Company, with clear presentation of the Appointed Actuary's role in advising the Board and/or management regarding the carried reserves. The Actuarial Report should identify how and when the Appointed Actuary presents the analysis to the Board and, where applicable, to the officer(s) of the Company responsible for determining the carried reserves.

- An exhibit that ties to the Annual Statement and compares the Appointed Actuary's conclusions to the carried amounts consistent with the segmentation of exposure or liability groupings used in the analysis. The Appointed Actuary's conclusions include the Appointed Actuary's point estimate(s), range(s) of reasonable estimates or both.

- An exhibit that reconciles and maps the data used by the Appointed Actuary, consistent with the segmentation of exposure or liability groupings used in the Appointed Actuary's analysis, to the Annual Statement Schedule P.

- An exhibit or appendix showing the change in the Appointed Actuary's estimates from the prior Actuarial Report, including extended discussion of factors underlying any material changes. If the Appointed Actuary is newly-appointed and does not review the work of the prior Appointed Actuary, then the Appointed Actuary should disclose this.

- Extended comments on trends that indicate the presence or absence of risks and uncertainties that could result in material adverse deviation.

- Extended comments on factors that led to exceptional reserve development, as defined in 6C and 6D, and how these factors were addressed in prior and current analyses.

8. The statement should conclude with the signature of the Appointed Actuary responsible for providing the Actuarial Opinion and the date when the Opinion was rendered. The signature and date should appear in the following format:

_____________________________________________

Signature of Appointed Actuary
Printed name of Appointed actuary
Employer's name
Address of Appointed Actuary
Telephone number of Appointed Actuary
Email address of Appointed Actuary
Date opinion was rendered

9. The Insurer required to furnish an Actuarial Opinion shall require its Appointed Actuary to notify its Board of Directors or its audit committee in writing within five (5) business days after any determination by the Appointed Actuary that the Opinion submitted to the domiciliary commissioner was in error as a result of reliance on data or other information (other than assumptions) that, as of the balance sheet date, was factually incorrect. The Opinion shall be considered to be in error if the Opinion would have not been issued or would have been materially altered had the correct data or other information been used. The Opinion shall not be considered to be in error if it would have been materially altered or not issued solely because of data or information concerning events subsequent to the balance sheet date or because actual results differ from those projected.

Notification shall be required for any such determination made between the issuance of the Actuarial Opinion and the balance sheet date for which the next Actuarial Opinion will be issued. The notification should include a summary of such findings and an amended Actuarial Opinion.

An Insurer who is notified pursuant to the preceding paragraph shall forward a copy of the summary and the amended Actuarial Opinion to the domiciliary commissioner within five (5) business days of receipt of such and shall provide the Appointed Actuary making the notification with a copy of the summary and amended Actuarial Opinion being furnished to the domiciliary commissioner. If the Appointed Actuary fails to receive such copy within the five (5) business day period referred to in the previous sentence, the Appointed Actuary shall notify the domiciliary commissioner within the next five (5) business days that the submitted Actuarial Opinion should no longer be relied upon or such other notification recommended by the actuary's attorney.

If the Appointed Actuary learns that the data or other information relied upon was factually incorrect, but cannot immediately determine what, if any, changes are needed in the Actuarial Opinion, the actuary and the Company should undertake as quickly as is reasonably practical those procedures necessary for the Appointed Actuary to make the determination discussed above. If the Insurer does not provide the necessary data corrections and other support (including financial support) within ten (10) business days, the actuary should proceed with the notification discussed above.

No Appointed Actuary shall be liable in any manner to any person for any statement made in connection with the above paragraphs if such statement is made in a good faith effort to comply with the above paragraphs.

10. Data in Exhibit A and Exhibit B are to be filed in both print and data capture format.

STATEMENT OF ACTUARIAL OPINION

**Exhibit A: SCOPE**
DATA TO BE FILED IN BOTH PRINT AND DATA CAPTURE FORMAT

| LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES: | | Amount |
|---|---|---|
| 1. Unpaid Losses and Loss Adjustment Expenses (Schedule P, Part 1, Total Column 24 or 34 if discounting is allowable under state law) | $ | ________ |
| 2. Unpaid Losses and Loss Adjustment Expenses - Direct and Assumed (Should equal Schedule P, Part 1, Summary, Totals from Columns 17, 18, 20, 21, and 23, Line 12 x 1000) | $ | ________ |
| 3. Other items on which the Appointed Actuary is expressing an Opinion (list separately, adding additional lines as needed) | $ | ________ |

**Exhibit B: DISCLOSURES**
DATA TO BE FILED IN BOTH PRINT AND DATA CAPTURE FORMAT

NOTE: Exhibit B should be completed for Net dollar amounts included in the SCOPE. If an answer would be different for Direct and Assumed amounts, identify and discuss the difference within RELEVANT COMMENTS.

| | Last | First | Middle |
|---|---|---|---|
| 1. Name of the Appointed Actuary | ________ | ________ | ________ |

2. The Appointed Actuary's relationship to the Company.

   Enter E or C based upon the following:

   E - If an Employee of the Company or Group

   C - If a Consultant ________

3. The Appointed Actuary has the following designation (indicated by the letter code):

   F - If a Fellow of the Casualty Actuarial Society (FCAS)

   A - If an Associate of the Casualty Actuarial Society (ACAS)

   M - If not a member of the Casualty Actuarial Society, but a Member of the American Academy of Actuaries (MAAA) approved by the Casualty Practice Council, as documented with the attached approval letter.

   O - For Other ________

4. Type of Opinion, as identified in the OPINION paragraph. Enter R, I, E, Q, or N based upon the following:

    R - If Reasonable

    I - If Inadequate or Deficient Provision

    E - If Excessive or Redundant Provision

    Q - If Qualified (use Q when part of the OPINION is Qualified)

    N - If No Opinion

5. Materiality Standard expressed in U.S. dollars (used to answer question #6) $ ______
6. Are there significant risks that could result in Material Adverse Deviation?
7. Statutory Surplus (Liabilities, Surplus, and Other Funds Page, Line 32) $ ______
8. Known claims reserve (Liabilities, Surplus, and Other Funds Page, Line 1) $ ______
9. Statutory premium reserve (Liabilities, Surplus, and Other Funds Page, Line 2) $ ______
10. Aggregate of other reserves required by law (Liabilities, Surplus, and Other Funds Page, Line 3) $ ______
11. Supplemental reserve (Liabilities, Surplus, and Other Funds Page, Line 4) $ ______
12. Anticipated net salvage and subrogation included as a reduction to loss reserves as reported in Schedule P $ ______
13. Discount included as a reduction to loss reserves and loss adjustment expense reserves as reported in Schedule P $ ______
14. Other items on which the Appointed Actuary is providing relevant comment (list separately, adding additional lines as needed) $ ______

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## 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 current Schedule P - Part 1 (excluding those amounts related to bulk and IBNR reserves and claim counts) to the auditing procedures applied in the audit of the current statutory financial statements to determine whether Schedule P - Part 1 is fairly stated in all material respects in relation to the basic statutory financial statements taken as a whole. It is expected that the auditing procedures applied by the independent CPA to the claim loss and loss adjustment expense data from which Schedule P - Part 1 is prepared would be applied to activity that occurred in the current calendar year (e.g., tests of payments on claims for all accident years that were paid during the current calendar year). [Refer to American Institute of Certified Public Accountants statement of position 92-8.]

The reporting entity shall also require the independent certified public accountant to subject the data used by the appointed actuary to testing procedures. The auditor is required to determine what historical data and methods have been used by management in developing the loss reserve estimate and whether the auditor will rely on the same data or other statistical data in evaluating the reasonableness of the loss reserve estimate. After identifying the relevant data, the auditor should obtain an understanding of the controls related to the completeness, accuracy, and classification of loss data and perform testing as the auditor deems appropriate. Through inquiry of the Appointed Actuary, the auditor should obtain an understanding of the data identified by the Appointed Actuary as significant. It is recognized that there will be instances when data identified by the Appointed Actuary as significant to his or her reserve projections would not otherwise have been tested as part of the audit, and separate testing would be required. Unless otherwise agreed among the Appointed Actuary, management and the auditor, the scope of the work performed by the auditor in testing the loss data in the course of the audit would be sufficient to determine whether the data tested is fairly stated in all material respects in relation to the statutory financial statement taken as a whole. The auditing procedures should be applied to the loss and allocated expense data used by the Appointed Actuary and would be applied to activity that occurred in the current calendar year (e.g., tests of payments on losses paid during the current calendar year).

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# 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.



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[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 date (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 II – 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 1 – Known Claims Reserve

Include: Loss and allocated loss adjustment expenses accrued.

Exclude: Unallocated loss adjustment expenses accrued.

Refer to Schedule P instructions for definitions.

Refer to *SSAP No. 9—Subsequent Events* for accounting guidance related to events that take place subsequent to the balance sheet date for claims reported as of December 31 of the current year.

Line 2 – Statutory Premium Reserve

Should agree to the amount shown in the Operations and Investment Exhibit, Part 1B, Line 2.6.

Refer to Operations and Investment Exhibit, Part 1B instructions for definition.

Line 3 – Aggregate of Other Reserves Required by Law

Include on this line reserves required by statute other than the Statutory Premium Reserve.

Line 6 – Other Expenses (Excluding Taxes, Licenses and Fees)

Include: Incurred but unpaid other operations and investment expenses, excluding taxes, licenses and fees.

The unfunded postretirement obligation that is included in Other Expenses in accordance with the reporting entity's allocation of such expense.

Line 7 – Taxes, Licenses and Fees (Excluding Federal and Foreign Income Taxes)

Include: Incurred but unpaid investment and underwriting taxes, licenses and fees.

Guaranty fund assessments that are accrued in accordance with *SSAP No. 35R—Guaranty Fund and Other Assessments*.

Exclude: Federal and foreign income taxes and any amounts withheld or retained by the company acting as agent for others.

Line 8.1 – Current Federal and Foreign Income Taxes (including $_________ on realized capital gains (losses))

Include: Federal and foreign income taxes due or accrued.

Exclude: Income taxes recoverable.

Deferred tax liabilities.

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

Line 8.2 – Net Deferred Tax Liability

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

Line 9 – Borrowed Money $________and interest theron $_________

Report the unpaid balance outstanding at 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 10 – Dividends Declared and Unpaid

Include: The amount of dividends on outstanding shares of capital stock.

Exclude: Stock dividends of the company's own shares that are declared by the board of directors but are unpaid at the balance sheet date.

Line 13 – Funds held by Company Under Reinsurance Treaties

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

Should agree with Schedule F, Part 2, Column 13, Total.

Line 14 – Amounts Withheld or Retained by Company for Account of Others

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 a fiduciary capacity for the account of others (excluding reinsurance funds held and Segregated Funds Held for Others as reported on Schedule E, Parts 1A and 1B).

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 as liabilities in the statement.

Exclude: Segregated Funds Held for Others as reported on Schedule E, Parts 1A and 1B).

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

Line 15 – Provision for Unauthorized and Certified Reinsurance

Should agree with Schedule F, Part 3 (Column 18, Total x 1000) plus Schedule F, Part 4 (Column 19, Total x 1000). (Note: Schedule F omits 000.)

Line 16 – 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, Line 16, 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 18 – Payable to Parent, 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 19 – Derivatives

Derivative liability amounts shown as credit balances. Should equal Schedule DB, Part D, Section 1, Column 6, 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 20 – Payable for Securities

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

Line 21 – 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 Other Liabilities

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

Line 24 – Aggregate Write-ins for Special Surplus Funds

Enter the total of the write-ins listed in schedule Details of Write-ins Aggregated at Line 24 for Special Surplus Funds.

Line 25 – Common Capital Stock

Should equal the par value per share multiplied by the number of issued shares or in the case of no-par shares, the total stated value.

Authorized capital stock is the number of shares that the state has authorized a corporation to issue.

Outstanding capital stock is the number of authorized shares that have been issued and are presently held by stockholders; excludes treasury stock, as defined in the instructions for Line 31.

Issued capital stock is the cumulative total number of authorized shares that have been issued to date. The number of issued shares includes treasury stock.

Line 26 – Preferred Capital Stock

Should equal the par value per share multiplied by the number of issued shares, or in the case of no-par shares, the total stated or liquidation value.

Authorized, outstanding, and issued shares have the same meaning as in Line 25.

Line 27 – Aggregate Write-ins for Other-Than-Special Surplus Funds

Enter the total of the write-ins listed in schedule Details of Write-ins Aggregated at Line 27 for Other-Than-Special Surplus Funds.

Line 28 – 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 24 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: 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 29 – Gross Paid in and Contributed Surplus

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

Line 30 – Unassigned Funds (Surplus)

Unassigned funds (surplus) are the undistributed and unappropriated amount 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—Pensions* for accounting guidance.

Line 31 – Treasury Stock, at Cost

Treasury stock is the corporation's own shares that have been issued, fully paid, and reacquired by the issuing corporation but not canceled. Treasury stock is included in issued capital stock but is not part of the outstanding capital stock.

Include: The number of shares and the value in the appropriate spaces provided in Lines 25 and 26 for the current year. Cost method of accounting should determine the cost basis of treasury stock acquired.

Cost of reacquired suspense shares of an employee stock option plan.

Line 32 – Surplus as regards policyholders

Column 1 should agree to Page 4, Operations and Investment Exhibit, Statement of Income, Line 32, Column 1.

Column 2 should agree to Page 4, Operations and Investment Exhibit, Statement of Income, Line 32, Column 2.

Details of Write-ins Aggregated at Line 22 for Other Liabilities

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

This schedule is for other liability items not specifically provided for.

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

Interest paid in advance on mortgage loans, rents paid in advance, retroactive reinsurance.

Premium deficiency reserves, if applicable, in accordance with *SSAP No. 53—Property Casualty Contracts – Premiums.*

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—Pensions* for guidance.

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

Details of Write-ins Aggregated at Line 24 for Special Surplus Funds

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

Include: Surplus resulting from retroactive reinsurance.

Details of Write-ins Aggregated at Line 27 for Other-Than-Special Surplus Funds

Enter separately by category the amount of guaranty fund notes, contribution certificates, statutory deposits of alien insurers, or similar funds other than capital stock, with appropriate description. The aggregate amount of all surplus notes required or those that are a prerequisite for purchasing an insurance policy and are held by the policyholder should be listed as a separate item.

## OPERATIONS AND INVESTMENT EXHIBIT

This statement and the Capital and Surplus Account 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 Parts supporting this Statement of Income 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 and supporting Parts are not intended to exclude analogous items that are omitted from the lists.

The results of an insurance company'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).

## STATEMENT OF INCOME

Line 1.1 – Title Insurance Premiums Earned

The amount shown on this line should agree with the amount shown on the Operations and Investment Exhibit, Part 1B, Line 3, Column 1.

Line 1.2 – Escrow and Settlement Services

The amount shown on this line should agree with the amount shown on the Operations and Investment Exhibit, Part 1A, Line 2, Column 4.

Line 1.3 – Other Title Fees and Service Charges

The amount shown on this line should agree with the amount shown on the Operations and Investment Exhibit, Part 1A, Total of Line 3, 4, 5 and 6, Column 4.

Line 2 – Other Operating Income

The amount shown on this line should agree with the amount shown on the Operations and Investment Exhibit, Part 4, Line 2, Column [illegible]

Line 3 – Total Operating Income

The amount shown on this line should be the total of the amounts shown on Lines 1.1, 1.2, 1.3 and 2.

Line 4 – Losses and Loss Adjustment Expenses Incurred

The amount shown on this line should agree with the amount shown on the Operations and Investment Exhibit, Part 2A, Line 10, Column 4.

Line 5 – Operating Expenses Incurred

The amount shown on this line should agree with the amount shown on the Operations and Investment Exhibit, Part 3, Line 24, Column 4.

Line 6 – Other Operating Expenses

Enter the total of the operating expenses incurred related to Line 2 Other Operating Income.

This amount should agree with Operations and Investment Exhibit, Part 3, Line 24, Column 6.

Line 7 – Total Operating Expenses

The amount shown on this line should agree with the total of Lines 4, 5 and 6.

Line 8 – Net Operating Gain or (Loss)

The amount shown on this line should be the amount shown on Line 3, less the amount shown on Line 7.

Line 9 – Net Investment Income Earned

The amount shown on this line should agree with the amount shown on the Exhibit of Net Investment Income, Line 17, Column 2.

Include: Investment income earned from all forms of investment.

Dividends from SCA entities, joint ventures, partnerships, and limited liability companies: minus 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 distributed 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 10 – Net Realized Capital Gain or (Losses) Less Capital Gains Tax of $ _____

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

Exclude: Unrealized capital gains/(losses).

Line 11 – Net Investment Gain (Loss)

The amount shown on this line should agree with the total of Lines 9 and 10.

Line 12 – Aggregate Write-ins for Miscellaneous Income or (Loss) or Other Deductions

Enter the total of the write-ins listed in schedule Details of Write-ins Aggregated at Line 12 for Miscellaneous Income or (Loss) or Other Deductions.

Line 13 – Net Income After Capital Gains Tax and Before All Other Federal Income Taxes

The amount shown on this line should agree with the total of the amounts shown on Lines 8, 11, and 12.

Line 14 – Federal and Foreign Income Taxes Incurred

Include: Current year provisions for federal and foreign income taxes; and federal and foreign income taxes incurred or refunded during the year relating to prior period adjustments. In some instances such prior period adjustments, if material, may be charged or credited directly to unassigned surplus in the "Capital and Surplus Account."

Line 15 – Net Income

The amount shown on this line should agree with the amount shown on Line 13, less the amount shown on Line 14.

## CAPITAL AND SURPLUS ACCOUNT

Line 16 – Surplus as Regards Policyholders, December 31, Prior Year

The amount shown on this line should agree with the amount shown on Page 3, Line 32, Column 2.

Line 17 – Net Income

The amount shown on this line should agree with the amount shown on Line 15.

Line 18 – 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 19 – Change in Net Unrealized Foreign Exchange Capital Gain (Loss)

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

Foreign operations exchange translation adjustment gains (losses).

Exclude: Realized investment foreign exchange gains (losses).

Foreign currency transaction adjustments.

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

Line 20 – Change in Net Deferred Income Tax

Record the change in net deferred income tax. Refer to *SSAP No. 101—Income Taxes* for accounting guidance. The amount shown on this line should represent the gross change in net deferred tax, with any change in the nonadmitted deferred tax asset reported on Line 21.

Line 21 – Change in Nonadmitted Assets

The amount shown on this line should agree the amounts shown on Exhibit of Nonadmitted Assets, Line 28, Column 3.

Line 22 – Change in Provision for Unauthorized and Certified Reinsurance

The amount shown on this line should agree with the amounts shown on Page 3, Line 15, Column 2 minus Column 1.

Line 23 – Change in Supplemental Reserves

The amount shown on this line should agree with the amounts shown on Page 3, Line 4, Column 2 minus Column 1.

Line 24 – Change in Surplus Notes

Changes in the balances of surplus notes meeting the requirements of *SSAP No. 41R—Surplus Notes* shall be accounted for on this line.

The amount shown on this line should agree with the amounts shown on Page 3, Line 28, Column 1 minus Column 2.

Line 25 – Cumulative Effect of Changes in Accounting Principles

Exclude: Corrections of errors in previously issued financial statements. Corrections of errors should be reported on the Aggregate write-ins for gains and losses on surplus line.

Changes in accounting estimates. A change in an accounting estimate should be included in the Statement of Income.

Line 26.1 – Capital Changes Paid In

Include: Par or stated value of shares issued or retired by company during the period.

Only when issued stock increases(decreases) should this line increase (decrease). The amount included in this line will be the par value.

Refer to *SSAP No. 15—Debt and Holding Company Obligations* and *SSAP No. 72—Surplus and Quasi-Reorganizations* for accounting guidance.

Line 26.2 – Capital Changes Transferred from Surplus (Stock Dividend)

Include: The increase in capital resulting from a stock dividend (corresponding to the decrease in surplus shown on Line 27.2).

Line 26.3 – Transferred to Surplus

The amount on this line should be offset by the corresponding entry on Line 27.3.

NOTE: The sum of lines 26.1 through 26.3 should equal the change between years from Liabilities page, lines 25 and 26, current year minus prior year.

Line 27.1 – Surplus Adjustments Paid In

Include: The difference between the par or stated value and the price of shares issued or retired by the company during the period

All amounts contributed during the period.

This should equal the change between years from Liabilities page, Line 29, column 1 minus column 2. Refer to *SSAP No. 72—Surplus and Quasi-Reorganizations* for accounting guidance.

Line 27.2 – Surplus Adjustments Transferred to Capital (Stock Dividend)

Include: The decrease in surplus resulting from a stock dividend (corresponding to increase in capital shown on Line 26.2)

Line 27.3 – Transferred from capital

The amount on this line should be offset by the corresponding entry on Line 26.3.

Line 28 – Dividends to Stockholders

Include: Dividends paid or accrued (if declared but unpaid at reporting date) in cash and dividends on allocated employee stock option plan shares.

Exclude: Dividends on unallocated employee stock option plan shares.

Line 29 – Change in Treasury Stock

Include: Change between years in ownership of treasury stock at cost.

Line 30 – Aggregate Write-ins for Gains and Losses in Surplus

Enter the total of the write-ins listed in schedule Details of Write-ins Aggregated at Line 30 for Gains and Losses in Surplus.

Line 31 – Change in Surplus as Regards Policyholders for the Year

The amount shown on this line should agree with the total of the amounts shown on Lines 17 through 30.

Line 32 – Surplus as Regards Policyholders, December 31, Current Year

The amount shown on this line should agree with the amount shown on Line 16, plus the amount shown on Line 31.

Details of Write-ins Aggregated at Line 12 for Miscellaneous Income or (Loss)

List separately each category of Miscellaneous Income or (Loss) for which there is no pre-printed line on Page 4.

Include: Miscellaneous items, such as:

Income on annuities purchased to fund future payments. The income from annuities is the amount received on annuities purchased to fund future payments less the change in the value (i.e., present value) of these annuities.

Premiums for life insurance on employees (less $__________ increase in cash values). NOTE: Use this item only where the company is beneficiary.

Receipts from Schedule BA assets, other than interest, dividends and real estate income, and other than capital gains on investments.

Other sundry receipts and adjustments not reported elsewhere.

Fines and penalties of regulatory authorities should be shown as a separate item.

Gain or loss from initial retroactive reinsurance and any subsequent change in the initial incurred loss and loss adjustment expense reserves transferred.

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

As an offset to expense, interest due from ceding reinsurers on funds held by the ceding company on behalf of the reporting enitity.

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

Gains (losses) on fixed assets.

Exclude: Investment foreign exchange gains (losses)

Details of Write-ins Aggregated at Line 30 for Gains and Losses in Surplus

List separately each category of Gains and Losses in Surplus for which there is no pre-printed line on Page 4.

Include: Other gains and losses in surplus not included in Lines 18 through 29. Include items such as net proceeds from life insurance on employees

Corrections of errors in previously issued financial statements.

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

Exclude: Cumulative effect of changes in accounting principles. The effect of changes in accounting principles should be reported on the Cumulative Effect of Changes in Accounting Principles line.

Changes in accounting estimates. A change in accounting estimate should be included in the Statement of Income.

Companies that have previously reported reserves gross of salvage and subrogation should report the change to the net method as a change in accounting principle. The cumulative effect on prior years of this change should be reported as a write-in item on this line of the annual statement. The change in the reserve calculated using the net method should be included in net income for the year of the change and all future years.

## CASH FLOW

The Statement of Cash Flow is prepared using the direct method consistent with the Statement of Income, excluding the effect of current and prior year accruals. All revenue, expenditures, 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 for accounting guidance regarding the 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 Statement of Income.



### Cash from Operations Worksheet

| Ref. # | Premiums Collected Net of Reinsurance | |
|---|---|---|
| 1.1 | Statement of Income (Page 4) Line 1.1, current year | ______ |
| 1.2 | Assets (Page 2) Line 15 + 16.2 (In part for amounts related to earned premiums) + 16.3 (In part for experience rating and other amounts related to earned premiums), Column 1, current year less previous year | ______ |
| 1.3 | Liabilities (Page 3) Line 2 + 11, 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 | Statement of Income (Page 4) Line 9, current year | ______ |
| 2.2 | Assets (Page 2) Line 14 + 22, Column 1, current year less previous year | ______ |
| 2.3 | Liabilities (Page 3) Line 6 (In part for investment related expenses) + 7 (In part for investment related expenses) + 10, 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 Statement of Income (Page 4)

Line 1.2 + 1.3 + 2 + 12, current year ____________

3.2 Assets (Page 2)

Line 16.2 (In part for amounts not included 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 Statement of Income (Page 4)

Line 4 (In part for losses incurred) + 23, current year ____________

5.2 Assets (Page 2)

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

5.3 Liabilities (Page 3)

Line 1 + 3 + 4, 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 (N/A for Title Entities)**

6.1 Statement of Income (Page 4) current year (N/A for Title)

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

6.3 ____________________________________________ (N/A for Title)

6.4 Total of 6.1 – 6.2 + 6.3 (Report on Line 6 of the Cash Flow) (N/A for Title)

**Commissions, Expenses Paid and Aggregate Write-ins for Deductions**

| | | |
|---|---|---|
| 7.1 | Statement of Income (Page 4) | |
| | Line 4 (In part for loss adjustment expenses incurred) + 5 + 6, current year | ____________ |
| 7.2 | Assets (Page 2) | |
| | Line 16.3 (In part for commissions and expense allowances due) + 17 + 19, Column 1, current year less previous year | ____________ |
| 7.3 | Liabilities (Page 3) | |
| | Line 5 + 6 (In part for amounts not included in Line 2.3 above; i.e., non-investment expenses) + 7 (In part for amounts not included in Line 2.3 above; i.e., non-investment expenses), 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) | ____________ |

**Dividends Paid to Policyholders (N/A for Title Entities)**

| | | |
|---|---|---|
| 8.1 | Statement of Income (Page 4) current year | (N/A for Title) |
| 8.2 | Liabilities (Page 3) current year less previous year | (N/A for Title) |
| 8.3 | ______________________________ | (N/A for Title) |
| 8.4 | Total of 8.1 – 8.2 + 8.3 (Report on Line 8 of the Cash Flow) | (N/A for Title) |

**Federal and Foreign Income Taxes Paid (Recovered)**

| | | |
|---|---|---|
| 9.1 | Statement of Income and Capital and Surplus Accounts (Page 4) | |
| | Line 14 + 20 – tax amounts included in Lines 10, 18 and 19, current year | ____________ |
| 9.2 | Assets (Page 2) | |
| | Line 18.1 + 18.2, Column 1, current year less previous year | ____________ |
| 9.3 | Liabilities (Page 3) | |
| | Line 8.1 + 8.2, current year less previous year | ____________ |
| 9.4 | Total of 9.1 + 9.2 – 9.3 (Report on Line 9 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.

**<u>Bonds</u>**

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, <u>In part</u> 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), <u>In part</u>
Plus Line 8 Total Foreign Exchange Change in Book/Adjusted Carrying Value, <u>In part</u>
Minus Line 9 Current Year's Other-Than-Temporary Impairment, <u>In part</u> ____________

B6 Total Gain (Loss) on Disposals

Line 5 Schedule D-Verification Between Years, <u>In part</u> ____________

B7 Consideration on Disposals

Line 6 Schedule D-Verification Between Years, <u>In part</u> 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, <u>In part</u> ____________

B9 Accrual of Discount

Line 3 Schedule D-Verification Between Years, <u>In part</u> ____________

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

Line 10 Schedule D-Verification Between Years, <u>In part</u> 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

**<u>Stocks</u>**

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, <u>In part</u> 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), <u>In part</u>
Plus Line 8 Total Foreign Exchange Change in Book/Adjusted Carrying Value, <u>In part</u>
Minus Line 9 Current Year's Other-Than-Temporary Impairment, <u>In part</u> ____________

S6 Total Gain (Loss) on Disposals

Line 5 Schedule D-Verification Between Years, <u>In part</u> ____________

S7 Consideration on Disposals

Line 6 Schedule D-Verification Between Years, <u>In part</u> 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, <u>In part</u> ____________

S9 Accrual of Discount

Line 3 Schedule D-Verification Between Years, <u>In part</u> ____________

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 the 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 misc. investments 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 (N/A for Title)

2 Current period amounts transferred to IMR (primarily form the Form for Calculating IMR, Line 2) (N/A for Title)

3 Current period amounts recognized in income (N/A for Title)

4 Other amounts increases (decreases) (N/A for Title)

5 Total of 2 – 3 + 4 (N/A for Title)

6 1 – 5 (If difference is not = 0, identify differences and add to amount(s) in the appropriate line(s)) (N/A for Title)

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

1 Change in AVR liability (Page 3, of current year less prior year) (N/A for Title)

2 Current period amounts transferred to AVR (Page 4) (N/A for Title)

3 Other amounts increases (decreases) (N/A for Title)

4 Total of 2 + 3 (N/A for Title)

5 1 – 4 (If difference is not = 0, identify differences and add to amount(s) in the appropriate line(s)) (N/A for Title)

**Reconcile Unrealized Capital Gains (Losses)**

1 Capital and Surplus Account (Page 4)

Line 18 (In part excluding tax) + 19 (In part excluding tax), 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 Statement of Income (Page 4)

Line 10, current year 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 and Capital Notes**

1.1 Change in Surplus Notes

Liabilities, Surplus (Page 3) Line 28, current year less previous year ____________

1.2 Change in Capital Notes

Liabilities (Page 3) current year less previous year ____________

1.3 ________________________________________ ____________

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

**Capital and Paid in Surplus, Less Treasury Stock**

2.1 Change in Capital

Liabilities, Surplus (Page 3) Line 25 + 26, current year less previous year __________

2.2 Change in Paid in Surplus

Liabilities (Page 3) Line 29, current year less previous year __________

2.3 Change in Treasury Stock

Liabilities, Surplus (Page 3) Line 31, current year less previous year __________

2.4 Transfer from Unassigned Surplus to lines included in 2.1 or 2.2 __________

2.5 ______________________________________________ __________

2.6 Total of 2.1 + 2.2 – 2.3 – 2.4 + 2.5 (Report on Line 16.2 of the Cash Flow) __________

**Borrowed Money**

3.1 Change in Borrowed Money

Liabilities, Surplus (Page 3) Line 9, 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 Liabilities (N/A for Title Entities)**

4.1 Change in Deposit-type Contracts

Liabilities, Surplus (Page 3) current year less previous year (N/A for Title)

4.2 ______________________________________________ (N/A for Title)

4.3 Total of 4.1 + 4.2 (Report on Line 16.4 of the Cash Flow) (N/A for Title)

**Dividends to Stockholders**

5.1 Dividends to Stockholders

Capital and Surplus Account (Page 4) Line 28 __________

5.2 Change in Dividends to Stockholders

Liabilities, Surplus (Page 3) Line 10, current year less previous year __________

5.3 Total of 5.1 – 5.2 (Report on Line 16.5 of the Cash Flow) __________

**<u>Other Cash Provided (Applied)</u>**

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

Capital and Surplus Account (Page 4) Line 30, current year

6.2 Change in Misc. Liabilities

Liabilities, Surplus (Page 3) Line 13 + 14 + 17 +18 + 19 + 21 + 22 + 24 + 27 (for amounts not more appropriately included in other lines of the Cash Flow), current year less previous year

6.3 Change in Misc. Assets

Assets (Page 2) Line 20 + 21 + 23 + 24 (<u>In part</u> for amounts not included elsewhere) + 25 (<u>In part</u> 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)

**<u>Reconcile Change in Liability in Reinsurance in Unauthorized and Certified Companies</u>**

1 Change in Liability for Reinsurance in Unauthorized and Certified Companies

Capital and Surplus Account (Page 4) Line 22, current year

2 Change in Liability for Reinsurance in Unauthorized and Certified Companies

Liabilities, Surplus (Page 3) Line 15, 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 of the Cash Flow Statement) 0

**<u>Reconcile Nonadmitted Assets:</u>**

1 Capital and Surplus Account

Page 4, Line 21 of 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:**

Capital and Surplus Account (Page 4) Line 25 of 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 |

## OPERATIONS AND INVESTMENT EXHIBIT

### PART 1A – SUMMARY OF TITLE INSURANCE PREMIUMS WRITTEN AND RELATED REVENUES

This schedule reports revenue from direct and agency operations. Record premium revenue written on policies issued and record fee and revenues earned for orders produced directly. Record miscellaneous income (like closing protection letter fees) related to policies issued by the company. Income on orders not produced by the company should not be reported in Part 1A, but in Part 4, Column 5. Affiliated agents are those that meet the affiliation standards defined by *SSAP No. 25—Affiliates and Other Related Parties*.

Column 1 – Direct Operations

The amounts shown in this column represent the company's direct operations. No items from agency operations (even wholly-owned agencies) are to be included in this column; only home office and branch office operations of the company are to be included in this column.

Exclude: Income on orders not produced by the company (report this income in Part 4, Column 5).

Column 2 – Non-affiliated Agency Operations

The amounts shown in this column represent the company's non-affiliated agency operations. This column should include all agency operations other than those that are reported in Column 3. Record title insurance premiums and miscellaneous fees and service charges (like closing protection letter fees) related to policies issued by the company.

Exclude: Income on orders not produced by the company (report this income in Part 4, Column 5).

Column 3 – Affiliated Agency Operations

The amounts shown in this column represent the company's affiliated agency operations. Wholly owned agencies should be included in the amounts shown in this column. Record title insurance premiums and miscellaneous fees and service charges (like closing protection letter fees) related to policies issued by the company. An agency operation is affiliated if the agency is an affiliate as defined by *SSAP No. 25—Affiliates and Other Related Parties*.

Column 4 – Current Year Total

The amounts reported in this column are the total of Columns 1, 2 and 3.

Column 5 – Prior Year Total

The amounts reported in this column are the amounts reported in Column 4 for the prior year.

Line 1 – Direct Premiums Written

The amounts reported on this line represent premiums derived from the policies issued directly by the company. The amounts shown on this line for Columns 1, 2 and 3 should agree to the amounts reported on Line 59 of Schedule T, Columns 3, 4, and 5, respectively.

Exclude: Closing Protection Letters ("CPL") or Insured Closing Letters ("ICL") fees or charges not considered premiums according to the state jurisdiction wherein the CPL or ICL was issued.

Line 2 – Escrow and Settlement Service Charges

The amounts reported on this line represent income reported by the company for escrow and settlement services charges. Only the amounts for direct operations need to be reported for this line; no reporting is required for agency operations.

Line 3 – Title Examinations

The amounts reported on this line are the fees received on title examinations.

Line 4 – Searches and Abstracts

The amounts reported on this line are the fees received on title searches and abstracts.

Line 5 – Surveys

The amounts reported on this line are fees received for surveys of real property.

Line 6 – Aggregate Write-ins for Service Charges

Enter the total of the write-ins listed in schedule Details of Write-ins Aggregated at Line 6 for Service Charges.

Line 7 – Total

The amounts shown on this line for Column 4 should agree to the amounts reported on Line 59 of Schedule T, the total of Columns 3 to 6.

Details of Write-ins Aggregated at Line 6 for Service Charges

List separately each category of Service Charges for which there is no pre-printed line in Part 1A.

Include: Closing Protection Letters ("CPL") or Insured Closing Letters ("ICL") fees or charges not considered Premiums according to the state jurisdiction wherein the CPL or ICL was issued. CPLs or ICLs that are considered premiums should be included in Line 1 of the Operations and Investment Exhibit Part 1A.

## OPERATIONS AND INVESTMENT EXHIBIT

## PART 1B – PREMIUMS EARNED EXHIBIT

Line 1.1 – Direct Title Premiums Written

This line represents direct title premiums written for the year. It includes direct operations, non-affiliated agency operations, and agency operations. The amounts reported on this line should agree to the amounts reported on the Operations and Investment Exhibit, Part 1A, Line 1, Column 4.

Line 1.2 – Assumed Title Premiums Written

The amount represents title premiums written under agreements of reinsurance assumed. This can be done through reinsurance assumed treaties, facultative reinsurance assumed agreements, or under transfer and assumption agreements.

Line 1.3 – Ceded Title Premiums Written

The amount represents title premiums written under agreements of reinsurance ceded. This can be done through reinsurance ceded treaties, facultative reinsurance assumed agreements, or under transfer and assumption agreements.

Line 2.1 – Statutory Premium Reserve - Balance at December 31, Prior Year

The amounts reported on this line are the statutory premium reserve for the prior year. The amounts should agree with the amounts shown on Page 3, Line 2 for the prior year.

Line 2.2 – Aggregate Write-ins for Book Adjustments to Line 2.1

Enter the total of the write-ins listed in schedule Details of Write-ins Aggregated at Line 2.2 for Book Adjustments to Line 2.1.

Line 2.3 – Additions during the Current Year

This amount represents additions to the Statutory Premium Reserve during the current year. This is normally the premium written for the current year multiplied by the applicable statutory reserve accumulation factor.

Line 2.4 – Withdrawals during the Current Year

The amounts reported on this line are withdrawals from the Statutory Premium Reserve permitted under statute. This is normally the Statutory Premium Reserve amortization amount.

Line 2.5 – Aggregate Write-ins for Other Adjustments Not Effecting Earned Premiums

Enter the total of the write-ins listed in schedule Details of Write-ins Aggregated at Line 2.5 for Other Adjustments Not Effecting Earned Premiums.

Line 2.6 – Balance at December 31, Current Year

The amounts reported on this line represent the Statutory Premium Reserve at December 31 of the current year. The amounts reported on this line should agree with the amounts reported by the company on Page 3, Line 2, Column 1. The amounts reported on this line should agree to the amounts reported on Line 2.1 plus the amounts reported on Line 2.2, plus the amounts reported on Line 2.3 less the amounts reported on Line 2.4, plus the amounts reported on Line 2.5.

Line 3 – Net Title Premiums Earned During Year

This is Line 1.4 plus Line 2.1, plus Line 2.5, minus Line 2.6 and should balance to Schedule T, Line 59, Column 7 .

Details of Write-ins Aggregated at Line 2.2 for Book Adjustments to Line 2.1

The amounts reported on this line are any accounting adjustments to the prior year's Statutory Premium Reserve (SPR). For example, adjustments may be needed to reflect a merger or to correct errors. Add amounts that increase the SPR and subtract amounts that decrease the SPR.

Details of Write-ins Aggregated at Line 2.5 for Other Adjustments Not Effecting Earned Premiums

The amounts reported on this line are any adjustments to the SPR other than those reported on Lines 2.3 or 2.4. Add amounts that increase (shown as positive amounts) the SPR and subtract amounts that decrease (shown as negative amounts) the SPR.

## OPERATIONS AND INVESTMENT EXHIBIT

## PART 2A – LOSSES AND LOSS ADJUSTMENT EXPENSES PAID AND INCURRED

This schedule reports losses and loss adjustment expenses paid and incurred on direct and agency operations. Affiliated agents are those that meet the affiliation standards defined by *SSAP No. 25—Affiliates and Other Related Parties.*

Column 1 – Direct Operations

The amounts shown in this column represent the company's direct operations. No items from agency operations (even wholly-owned agencies) are to be included in this column; only home office and branch office operations are to be included in this column.

Column 2 – Non-affiliated Agency Operations

The amounts shown in this column represent the company's non-affiliated agency operations. This column should include all agency operations other than those that are reported in Column 3.

Column 3 – Affiliated Agency Operations

The amounts shown in this column represent the company's affiliated agency operations. Wholly owned agencies should be included in the amounts shown in this column. An agency operation is affiliated if the agency is an affiliate as defined by *SSAP No. 25—Affiliates and Other Related Parties*.

Column 4 – Total Current Year

The amounts reported in this column are the total of Columns 1, 2 and 3.

Column 5 – Total Prior Year

The amounts reported in this column are the amounts reported in Column 4 for the prior year.

Line 1 – Losses and Allocated Loss Adjustment Expenses Paid - Direct Business, less Salvage and Subrogation

The amounts reported on this line represent losses and allocated loss adjustment expenses paid which relate to business of the company (title or escrow) other than reinsurance business assumed. The amounts shown on this line for Column 4 should agree to the amounts reported on Line 59 of Schedule T, Column 8.

Line 2 – Losses and Allocated Loss Adjustment Expenses Paid - Reinsurance Assumed, less Salvage and Subrogation

The amounts reported on this line represent losses and allocated loss adjustment expenses paid which relate to reinsurance business assumed.

Include: Unpaid balances due on paid losses reported by ceding enities during the current calendar year.

Line 3 – Total

This line represents the total of the amounts reported by the company on Lines 1 and 2.

Line 4 – Recovered During Year From Reinsurance

The amounts reported on this line represent amounts recovered during the year from reinsurance ceded related to losses and allocated loss adjustment expenses paid. It includes amounts receivable from reinsurers on losses paid during the current calendar year.

Line 5 – Net Payments

The amounts reported on this line are the amounts reported on Line 3 less the amounts reported on Line 4.

Line 6 – Known Claims Reserves - Current Year

The amounts reported on this line should agree with the amounts reported by the company on Page 3, Line 1, Column 1.

Line 7 – Known Claims Reserves - Prior Year

The amounts reported on this line should agree with the amounts reported by the company on Page 3, Line 1, Column 2.

Line 8 – Losses and Allocated Loss Adjustment Expenses Incurred

The amounts reported on this line should be the amounts reported on Line 5, plus the amounts reported on Line 6, less the amounts reported on Line 7.

Line 9 – Unallocated Loss Adjustment Expenses Incurred

The amount reported by the company for Line 9, Column 4 should agree with the amount reported by the company in the Operations and Investment Exhibit, Part 3, Line 24, Column 5.

Line 10 – Losses and Loss Adjustment Expenses Incurred

The amount reported on this line should be the amount reported on Line 8, plus the amount reported on Line 9 and to Page 4, Line 4

## OPERATIONS AND INVESTMENT EXHIBIT

## PART 2B – UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

This schedule reports unpaid loss and loss adjustment expenses on direct and agency operations. Affiliated agencies are those that meet the affiliation standards defined by *SSAP No. 25—Affiliates and Other Related Parties*. Refer to *SSAP No. 57—Title Insurance*, paragraphs 8–13, for accounting guidance.

### Salvage

Any amount for salvage and subrogation (including amounts recoverable from second-injury funds, other governmental agencies, or quasi-governmental agencies, where applicable) must be disclosed in Schedule P, Part 1. Refer to *SSAP No. 55—Unpaid Claims, Losses and Loss Adjustment Expenses* for accounting guidance.

Column 1 – Direct Operations

The amounts shown in this column represent the company's direct operations. No items from agency operations (even wholly owned agencies) are to be included in this column; only home office and branch office operations are to be included in this column.

Column 2 – Non-affiliated Agency Operations

The amounts shown in this column represent the company's non-affiliated agency operations. This column should include all agency operations other than those that are reported in Column 3.

Column 3 – Affiliated Agency Operations

The amounts shown in this column represent the company's affiliated agency operations. Wholly-owned agencies should be included in the amounts shown in this column. An agency operation is affiliated if the agency is an affiliate as defined by *SSAP No. 25—Affiliates and Other Related Parties*.

Column 4 – Total Current Year

The amounts reported in this column are the total of Columns 1, 2 and 3.

Column 5 – Total Prior Year

The amounts reported in this column are the amounts reported in Column 4 for the prior year.

Line 1.1 – Direct Loss and Allocated LAE Reserve for Title and Other Losses of which Notice has been Received

This line represents the direct loss and allocated LAE reserves for title and other losses of which notice has been received.

The amount shown in Column 1 should agree to Schedule P, Part 1A, Column 17, Line 12.

The amount shown in Column 2 plus the amount shown in Column 3 should agree to Schedule P, Part 1B, Column 17, Line 12.

Include: All loss and allocated LAE known claim reserves for claims that have been reported in any way to the home office of the company on or before December 31 of the current year.

Line 1.2 – Reinsurance Assumed Loss and Allocated LAE Reserve for Title and Other Losses of which Notice has been Received

The amount represents loss and allocated LAE reserves for title and other losses of which notice has been received under agreements of reinsurance assumed. This can be done through reinsurance assumed treaties, facultative reinsurance assumed agreement, or under transfer and assumption agreements. The amounts reported on this line should agree with Schedule F, Part 1, Column 8.

The amount shown in Column 2 plus the amount shown in Column 3 should as agree to Schedule P, Part 1B, Column 18, Line 12.

Line 2 – Reinsurance Recoverable from Authorized, Unauthorized and Certified Companies

The amounts shown on this line represents reinsurance ceded recoverables (from authorized, unauthorized and certified companies) on unpaid losses of which notice has been received. This can be done through reinsurance ceded treaties, facultative reinsurance assumed agreements, or under transfer and assumption agreements.

The amounts shown on this line should reconcile to amounts reported in Schedule F, Part 2, Column 9, Total.

The amount shown in Column 1 should agree to Schedule P, Part 1A, Column 19, Line 12.

The amount shown in Column 2 plus the amount shown in Column 3 should as agree to Schedule P, Part 1B, Column 19, Line 12.

Line 3 – Known Claim Reserves Net of Reinsurance

The amounts reported on this line are the amounts reported on Line 1.1, plus the amounts reported on Line 1.2, less the amounts reported on Line 2. The amount shown on this line should agree with Page 3, Line 1.

Line 4.1 – Incurred but not Reported – Direct

The amounts reported on this line are incurred but not reported losses on a direct basis.

The amount shown in Column 1should agree to Schedule P, Part 1A, Column 20, Line 12.

The amount shown in Column 2 plus the amount shown in Column 3 should as agree to Schedule P, Part 1B, Column 20, Line 12.

Line 4.2 – Incurred but not Reported – Reinsurance Assumed

The amounts reported on this line are incurred but not reported losses related to reinsurance assumed.

The amount shown in Column 1 should agree to Schedule P, Part 1A, Column 21, Line 12.

The amount shown in Column 2 plus the amount shown in Column 3 should agree to Schedule P, Part 1B, Column 21, Line 12.

Line 4.3 – Incurred but not Reported – Reinsurance Ceded

The amounts reported on this line are incurred but not reported losses related to reinsurance ceded.

The amount shown in Column 1 should agree to Schedule P, Part 1A, Column 22, Line 12.

The amount shown in Column 2 plus the amount shown in Column 3 should agree to Schedule P, Part 1B, Column 22, Line 12.

Line 4.4 – Incurred but not Reported – Net of Reinsurance

The amounts reported on this line are the amounts reported on Line 4.1, plus the amounts reported on Line 4.2, less the amounts reported on Line 4.3.

Line 5 – Unallocated LAE Reserve

The amount reported in Column 4 on this line should agree with the amounts reported in Schedule P, Part 1, Line 12, Column 23.

Line 6 – Discount for Time Value of Money, if Allowed

Only discounts allowed by law (statutes or regulations) should be reported on this line.

The amount reported in Column 4 on this line should agree with the amounts reported in Schedule P, Part 1, Line 12, Column 33.

Line 7 – Total Schedule P Reserves

The amounts reported on this line should agree with the total of the amounts reported on Lines 3 + 4.4 + 5, less the amount reported on Line 6. The amounts reported in Column 4 on this line should agree with the amount reported in Schedule P, Part 1, Line 12, Column 34.

Line 8 – Statutory Premium Reserve at Year End

The amounts reported on this line represent the Statutory Premium Reserve at December 31 of the current year. The amounts reported on this line should agree with the amounts reported by the company on Page 3, Line 2.

Line 9 – Aggregate of Other Reserves Required by Law

The amount reported on this line is the amount reported on Page 3, Line 3, if appropriate. Only reserves related to the Statutory Premium Reserve or loss and loss adjustment expenses as covered in Schedule P are eligible for inclusion.

Line 10 – Supplemental Reserve

The amount reported on this line is the amount reported on Line 7, less the amounts reported on Lines 3 plus 8 plus 9, but not less than zero.

## OPERATIONS AND INVESTMENT EXHIBIT

## PART 3 – EXPENSES

A company that pays management fees to an affiliate (including a managing general agent) 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 (or similar) fees should not be reported as a one-line expense. It is appropriate for the company to estimate these expense allocations based on a formula or other reasonable basis.

The total management fees and the method(s) used for allocation shall be disclosed in the Notes to Financial Statements. The company shall use the same allocation method(s) on a consistent basis. Refer to *SSAP No. 70—Allocation of Expenses* for accounting guidance.

Exclude from investment expenses 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* for accounting guidance.

Include all other internal costs or costs paid to an affiliated company related to origination, purchase or commitment to purchase bonds.

Column 1 – Title and Escrow Operating Expenses - Direct Operations

The amounts shown in this column represent expenses related to the company's title and escrow operations. It does not include losses, loss adjustment expenses (allocated or unallocated) or investment expenses. The expenses include only amounts incurred directly by the company, and do not include expenses incurred by any agents (regardless of ownership interest).

Exclude: Expenses on orders not produced by the company (report this in Column 6, Other Operations).

Column 2 – Title and Escrow Operating Expenses - Non-affiliated Agency Operations

The amounts shown in this column represent expenses related to the company's title and escrow non-affiliated agency operations. It does not include losses, loss adjustment expenses (allocated or unallocated) or investment expenses. The expenses include only amounts incurred directly by the company and do not include expenses incurred by any agency (regardless of ownership interest).

Exclude: Expenses on orders not produced by the company (report this in Column 6, Other Operations).

Column 3 – Title and Escrow Operating Expenses - Affiliated Agency Operations

The amount shown in this column represent expenses related to the company's title and escrow affiliated agency operations. It does not include losses, loss adjustment expenses (allocated or unallocated) or investment expenses. The expenses include only amounts incurred directly by the company and do not include expenses incurred by any agency (regardless of ownership interest).

Exclude: Expenses on orders not produced by the company (report this in Column 6, Other Operations).

An agency operation is affiliated if the agency is an affiliate as defined by *SSAP No. 25—Affiliates and Other Related Parties*.

Column 4 – Total

The amounts reported in this column are the total of Columns 1, 2 and 3.

Column 5 – Unallocated Loss Adjustment Expenses

The amounts shown in this column represent the indirect costs incurred by the company in settlement of title and other claims. As an example, the costs related to salaried employees of the insurer involved in the management of claims are included in this category. Do not include any costs incurred by the agents in settlement of title or other claims.

The amounts shown on Line 24 should agree with the amounts reported on the Operations and Investment Exhibit, Part 2A, Line 9.

Column 6 – Other Operations

The amounts shown in this column represent the expenses incurred by the company in operations other than title and escrow, or loss adjustment or investment activities.

Include: Expenses on orders not produced by the company, such as expenses incurred in the sale of title services to attorneys, agents, lenders or others. Expenses related to the revenue reported as Other Operating Income on Page 4, Line 2.

Exclude: Expenses allocated to providing services related to the issuance of a title policy by direct operations.

Column 7 – Investment Expenses

The amounts shown in this column represent the expenses incurred by the company, both internal and external, in connection with the production of the company investment income.

Column 8 – Current Year Total

The amounts reported in this column are the total of Columns 4, 5, 6 and 7.

Column 9 – Prior Year Total

The amounts reported in this column are the amounts reported in Column 8 for the prior year.

## INSTRUCTIONS FOR UNIFORM CLASSIFICATIONS OF EXPENSES OF

## TITLE INSURERS

For the purposes of establishing uniformity in classifications of expenses of title insurers recorded in statements and reports filed with and statistics reported to Insurance Departments, all such reporting entities shall observe the instruction set forth below.

### LIST OF OPERATING EXPENSE CLASSIFICATIONS FOR ANNUAL STATEMENT PURPOSES

1. Personnel Costs
   - 1.1 Salaries
   - 1.2 Employee Relations and Welfare
   - 1.3 Payroll Taxes
   - 1.4 Other Personnel Costs
2. Amounts Paid to or Retained by Title Agents
3. Production Services (purchased outside)
   - 3.1 Searches, Examinations and Abstracts
   - 3.2 Surveys
   - 3.3 Other
4. Advertising
5. Boards, Bureaus and Associations
6. Title Plant Rent and Maintenance
7. Claim Adjustment Services
8. Amounts Charged Off, Net of Recoveries
9. Marketing and Promotional Expenses
10. Insurance
11. Directors' Fees
12. Travel and Travel Items
13. Rent and Rent Items
14. Equipment
15. Cost or Depreciation of EDP Equipment and Software
16. Printing, Stationary, Books and Periodicals
17. Postage, Telephone, Messengers and Express
18. Legal and Auditing
20. Taxes, Licenses and Fees
    - 20.1 State and Local Insurance Taxes
    - 20.2 Insurance Department Licenses and Fees
    - 20.3 Gross Guaranty Association Assessments
    - 20.4 All Other (excluding Federal Income and Real Estate)
21. Real Estate Expenses
22. Real Estate Taxes
23. Miscellaneous

Line 1.1 – Salaries

Include: Salaries, bonus, overtime, contingent compensation, pay while on leave, dismissal allowances, pay while training and other compensation of officers and employees.

Commission and brokerage to employees when the activities for which the commission is paid are part of their duties as employees.

Exclude: Salaries or wages, etc., of janitors, caretakers, maintenance workers and agents paid in connection with owned real estate and premises leased for company use. (See Real Estate Expenses.)

Retirement allowances.

Directors' and committee fees.

Disability payments to or on behalf of employees under self-insurance plan.

Line 1.2 – Employee Relations and Welfare

Include: Cost of retirement insurance.

Payments or appropriations to funds irrevocably devoted to the payment of pensions or other employees' benefits.

Pensions or other retirement allowances.

Accident, health and hospitalization insurance for employees.

Group life insurance for employees.

Workers' compensation insurance.

Payments to or on behalf of employees under self-insurance.

Any other insurance for the benefit of employees.

Net periodic postretirement benefit cost.

Earned amounts related to employee stock option plans

Payments by company under a program for stock options, purchase and award plans (including change in quoted market value).

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

Exclude: Premiums for life insurance on employees when the company is the beneficiary.

Payments or appropriations to pension funds not irrevocably devoted to the payment of pensions or other employees; benefits (such payments or appropriations shall not appear among expenses).

Items includable in Real Estate Expenses.

All other types of insurance premiums.

Line 1.3 – Payroll Taxes

Include: Employer FICA, FUTA and other federal state and local payroll taxes.

Exclude: Payroll taxes includable in Real Estate Expenses.

Line 1.4 – Other Personnel Costs

Include: Cost of the following:

Advertising related to recruiting.

Employment agency placement fees.

Training and welfare of employees.

Physical examinations of employees or applicants for employment.

Character or credit reports on employees or applicants for employment.

Gatherings, outings and entertainment for employees.

Visiting nurse service for or on behalf of employees.

Medical and hospital bills for employees (not included in Employee Relations and Welfare).

Direct payments other than salaries, to employees for injury and sickness (not included in Employee Relations and Welfare).

Overtime meals.

Donations to or on behalf of employees.

Food and catering for employees.

Exclude: Salaries, bonus, overtime, contingent compensation, pay while on leave, dismissal allowances, pay while training and other compensation of employees. (See Salaries.)

Items includable in Real Estate Expenses.

Cost of house organ and similar publications. (See Advertising, and Printing and Stationery.)

Line 2 – Amounts Paid to or Retained by Title Agents

This line includes all amounts paid directly or indirectly to the title agent. It can include commissions or fees paid directly to the title agents. It can also include any amounts collected from the insureds for title insurance premiums that are retained by the title agent, and not remitted to the company.

Line 3.1 – Searches, Examinations and Abstracts

Include: Searching and examining, reading, closing, abstracts and continuations and tax searches, including continuations and mark offs.

State searches such as franchise tax, transfers, and estates, incorporation's, dissolution's of corporations and any other searches required of the State Department of Taxation.

Building Department searches such as tenement house, cost of certificate of occupancy, Department of Building and Housing, etc.

Other miscellaneous searches such as bankruptcy lists, street reports; examining conditional bills of sale, and chattel mortgage; death certificates; fire health and labor departments, abstracts or certified copies of anything pertaining to record proof required in the examination of title, including surrogate's proceedings, probate proceedings, transfer tax proceedings, bankruptcy proceedings, Federal Court proceedings, copies of deeds, letters testamentary, wills, etc.; appointment of trustees, etc.; last owners; and any other analogous thereto.

Exclude: Survey charges, appraisals and salaries of staff members providing search examination and abstract services.

Line 3.2 – Surveys

This account classification shall include the [illegible] charges of outside surveyors or other title companies for all survey work including possession surveys; enclosure surveys; locations surveys; surveying and locating building and showing same on map; survey, map, and descriptions; staking plot; furnishing tracings and prints; redating surveys; survey prints purchased.

Exclude: Compensation of salary staff members for making survey or property inspections.

Blueprints and photostats of surveys.

Line 3.3 – Other

Include: Purchases of atlases.

Cost of keeping atlases current such as the insertion of new pages and corrections, indexing and other related expenses.

Cost of copies of filed land maps, damage maps, extracts of sheets from land maps, alteration maps obtained from topographical bureaus.

Binding, printing, mounting, and indexing land maps.

Sales tax and discounts on items included.

Other outside production services purchased, such as property inspections, policy or report typing.

Line 4 – Advertising

Include:

Services of advertising agents.

Public relations counsel.

Space in newspapers, trade publications, diaries, directories, yearbooks, billboards, programs and other publications.

Circulars, pamphlets, calendars and literature issued for advertising or promotional purposes

Drawings, plates, etchings, etc., in connection with advertising

All charges for printing, paper, etc., in bills covering advertising

Media broadcasts (e.g., radio, television, etc.)

Prospect and mailing lists.

Advertising in connections with corporate proceedings.

Printed material issued or distributed for promotional purposes.

All charges for compiling material content, printing, paper, mailing expenses, including envelopes, labels, and boxes, etc., in connection with the distribution of promotional material.

Souvenirs and other promotional items for general distribution.

House organs and similar publications distributed to persons other than staff members.

Signs, frames, medals, etc., for agents

Advertising required by law when more than the minimum space required to comply with the law is taken

Exclude:

Compensation to employees (See Salary)

Items includable in Travel and Travel Items.

Items includable in Boards and Associations.

Items includable in Claim Adjustment Services.

Advertising and business development expenses allowed, reimbursed or paid to managers, agents, brokers, solicitors, and other producers.

Cost of advertising related to recruiting. (See Employee Relations and Welfare.)

Cost of advertising in connection with owned real estate. (See Real Estate Expenses).

Donations to organized charities. (See Miscellaneous.)

Costs of charts, maps, etc., used for routine company operations.

Cost of literature and booklets, placards, signs, etc., issued solely for employee benefits.

Cost of house organs and similar publications for use of employees. (See Printing and Stationery.)

Cost of souvenirs not generally distributed. (See Travel and Travel Items.)

Line 5 – Boards, Bureaus and Associations

Include:

Dues, assessments, fees and charges of underwriting boards, rating organizations, statistical agencies, inspection and audit bureaus.

Underwriters' advisory and service organizations.

Accident and loss prevention organizations.

Claim organizations.

Underwriting syndicates, pools or associations and assigned risk plans (except Commission and Brokerage, Claim Adjustment Services, and Taxes, Licenses and Fees).

Specific payments to title or mortgage associations for rate manuals, revisions, fillers and other industry-wide literature.

Exclude:

Dues and subscriptions to social or civic clubs or affairs and to associations of customers. (See Marketing and Promotion.)

Dues and subscriptions to accounting, legal, actuarial or similar societies and associations. (See Legal and Auditing.)

Cost of inspection, engineering or accident and loss prevention billed specifically to individual companies .

Loss adjustment expenses billed specifically to individual companies. (See Claim Adjustment Services).

Allowances under reinsurance contracts for board and bureau expenses.

Payments to State Industrial Commissions. (See Taxes, Licenses and Fees.)

Payments into State Security Funds. (See Taxes, Licenses and Fees.)

Commission and Brokerage. Claim Adjustment Services, and Taxes, Licenses and Fees of underwriting syndicates, pools and associations.

Cost of survey, credit, moral hazard, character and commercial reports obtained for underwriting purposes.

Cost of commercial reporting services.

Line 6 – Title Plant Rent and Maintenance

The line includes all direct costs incurred in connection with the rental or lease of title plants. It also includes costs incurred by the company in connection with the participation in joint maintenance agreements for title plants owned by others.

Line 7 – Claim Adjustment Services

Include: Other claim adjustment fees and expenses.

Outside services for unallocated claim administration.

Auditing fees and expenses of independent auditors for auditing payrolls and premium bases.

Exclude: Compensation to employees. (See Salaries.)

Expenses of salaried employees (See Travel and Travel Items)

Fees and expenses of lawyers for legal services in the defense, trial or appeal of suits, or for other allocated legal services rendered in connection with title claims (include in Title Losses and Loss Adjustment Expenses Paid).

Interests and costs assessed as part of or subsequent to judgment (include in Title Losses Paid).

Line 8 – Amounts Charged Off, Net of Recoveries

This line includes amounts charged off related to title insurance premiums, title agency remittances and other services accrued that could not be collected.

Include: Recoveries of amounts previously charged off.

Exclude: Items includable in Real Estate Expenses.

Line 9 – Marketing and Promotional Expenses

This line includes all amounts incurred for expenses directly related to the production of specific sales efforts.

Include: Dues and subscriptions to social or civic clubs or affairs and to associations of customers.

Exclude: Items included in Advertising, Line 4

Compensation to employees. (See Salaries.)

Line 10 – Insurance

Include: Fidelity or surety bonds covering employees and agents.

Burglary and robbery insurance.

Public liability insurance premiums (excluding owned real estate).

Premiums for insurance on office contents.

Cost of insurance on automobiles.

All other insurance premiums not specifically provided for in other operating accounts.

Exclude: Items includable in Employee Relations and Welfare.

Items includable in Real Estate Expenses.

Items includable in Rent and Rent Items.

Items includable in Travel and Travel Items.

Line 11 – Directors' Fees

Include: Directors' fees and other compensation of directors for attendance at board or committee meetings.

Other fees, compensation and expenses paid to directors.

Exclude: Commissions to directors for the production of business.

Line 12 – Travel and Travel Items

Include: Transportation, hotel, meals, postage, telephone, telegraph, express and incidental living expenses of employees while traveling.

Expenses for transfer of employees.

Mileage allowance to employees for use of personal cars.

Depreciation repairs and other operating expenses of automobiles.

Rent of automobiles.

Fees for automobile registration.

Cost of insurance on rented automobiles.

Exclude: Items includable in Salaries; Advertising; Commissions; Taxes, Licenses and Fees; and Boards, Bureaus and Associations.

Cost of gatherings, outings, etc., and entertainment for employees. (See Other Personnel Costs.)

Items includable in Real Estate Expenses.

Donations to organized charities. (See Miscellaneous.)

Cost of souvenirs and other promotional items for general distribution. (See Advertising.

Line 13 – Rent and Rent Items

Include: Rent of home office and branch offices.

Real Estate taxes in connections with leased premises. Refer to *SSAP No. 22—Leases* for accounting guidance of leases by lessors and lessees.

Rent for space occupied in buildings owned.

Public liability insurance premiums.

Light, heat, power and water charges in leased premises.

Interest, taxes, etc., paid in lieu of rent for leased premises

Cost of alterations and repairs of leased premises.

Rent of storage, safekeeping and warehouse space.

Rent of safe deposit boxes.

Rent of post office boxes.

Time clock service charges.

Cost of cleaning, towels, ice, water, electric lamp replacements and other expenses incidental to office maintenance.

Exclude: Compensations to employees. (See Salaries.)

Rent of furniture, equipment, and office machines. (See Equipment).

Rent of Automobiles. (See Travel and Travel Items).

Cost of insurance on rented automobiles. (See Travel and Travel Items)

Amortization expense for leasehold improvements as lessee.

Rent allowed, reimbursed, or paid to managers, agents, brokers, solicitors and other producers

Items includable in Real Estate Expenses.

Rent income from owned real estate.

Line 14 – Equipment

Include: Rent and repairs of furniture, equipment and office machines including printers' equipment and postage machines.

Equipment other than automobiles, purchased and fully depreciated or written off during the year.

Depreciation on furniture, equipment and office machines.

Exclude: Compensation to employees. (See Salaries).

Rent, repair, and depreciation of automobiles. (See Travel and Travel Items).

Cost of alterations and repairs of leased premises. (See Rent and Rent Items).

Equipment expenses allowed, reimbursed or paid to managers, agents, brokers, solicitors and other producers.

Items includable in Real Estate Expenses.

Depreciation and amortization expense for electronic data processing equipment, operating and non-operating systems software. (See Cost or Depreciation of EDP Equipment and Software.)

Line 15 – Cost or Depreciation of EDP Equipment and Software

Include: Depreciation and amortization expense for electronic data processing equipment, operating and non-operating systems software.

Refer to *SSAP No. 16R—Electronic Data Processing Equipment and Software* for accounting guidance.

Line 16 – Printing, Stationery, Books and Periodicals

Include: Printing, stationery and office supplies such as: letterheads, envelopes, paper stock, printed forms or manuals, adding machine tape, carbon paper, binders and posts, photostatted copies, pencils, pens, ink, glue, stamps and stamp pads, staplers, staples, clips and pins, desk top equipment (calendars, trays, etc.), waste baskets, analysis pads, ledgers, journals, minute books, etc.

Policies and policy forms.

House organs and similar publications for the use of employees.

Books, newspapers and periodicals including investment, tax and legal publications and services.

Exclude: Compensation to employees. (See Salaries.)

Specific payments to boards, bureaus and associations for rate manuals, revisions, fillers, rating plans and experience data. (See Boards, Bureaus and Associations.)

Literature, booklets, placards, signs, etc., issued solely for accident and loss prevention. (See Surveys and Underwriting Reports.)

Items includable in Claim Adjustment Services.

Items includable in Advertising.

Printers' equipment in company owned printing department. (See Equipment.)

Printing and stationery costs allowed, reimbursed or paid to managers, agents, brokers, solicitors and other producers.

House organs and similar publications distributed to persons other than employees. (See Advertising.)

Commercial reporting services.

Items includable in Real Estate Expenses.

Line 17 – Postage, Telephone, Messengers and Express

Include:

Express, freight and cartage.

Postage.

Cost of telephone.

Bank charges for collection and exchange

Exclude:

Compensation to employees. (See Salaries.)

Rent, repairs, and depreciation of postage machine. (See Equipment.)

Postage, telephone, telegraph and express mail service used by employees while traveling (See Travel and Travel Items).

Postage, telephone, telegraph, exchange and express mail service allowed, reimbursed or paid to managers, agents, brokers, solicitors and other producers.

Profits or losses resulting from exchange on remittances to home office by a U.S. branch. Such profits or losses shall not be included in expenses.

Items includable in Real Estate Expenses.

Rent of post office boxes (See Rent and Rent Items).

Line 18 – Legal and Auditing

Include:

Legal retainers, fees and other legal expenses and non-title related losses (except on title and escrow losses and salvage).

Auditing fees of independent auditors for examining records of home and branch offices.

Cost of services of tax advisors.

Services of consultants.

Fees of investment counsel.

Fees and expenses of other persons than employees, for collecting balances.

Notary fees.

Dues and subscriptions to accounting, legal, actuarial or similar societies and associations.

Exclude:

Compensation to employees. (See Salaries.)

Expenses of salaried employees. (See Travel and Travel Items.)

Items includable in title or escrow losses and salvage.

Items includable in Real Estate Expenses.

Line 20.1 – State and Local Insurance Taxes

Include: State premium taxes, licenses and fees.

County and municipal premium taxes, licenses and fees.

Fire Patrol assessments.

Payments to State Industrial (or other) Commissions for administration of Workers' Compensation or other State Benefit Acts (including assessments for administering Financial Responsibility Laws) regardless of basis of assessment.

Net payments to State Security Funds, Reopened Case Funds, Social Injury Funds and other State Funds, when construed by the company as operating expenses, regardless of basis of assessment.

Exclude: Allowances for taxes under reinsurance contracts.

Line 20.2 – Insurance Department Licenses and Fees

Include: Agents' licenses.

Certificates of authority, compliance, deposit, etc.

Filing fees.

Fees and expenses of examination by insurance department or other governmental agencies.

Business licenses, corporation licenses.

Exclude: Items includable in Line 20.1 - State and Local Insurance Taxes and Line 20.4 - All Other (Excluding Federal Income and Real Estate).

Items includable in Claim Adjustment Services.

Line 20.4 – All Other (Excluding Federal Income and Real Estate)

Include: Qualifying bond premiums.

Statement publication fees.

Advertising required by law.

Personal property taxes.

State taxes on income or gross receipts.

Occupancy tax.

Capital stock taxes.

Business corporation licenses or fees (not includable Lines 20.1 or 20.2).

Marine profits taxes.

Documentary stamps on reinsurance.

Any other taxes not assignable under Lines 20.1, 20.2 and 20.3 and not otherwise excluded.

Exclude: Real estate taxes (See Real Estate Taxes).

Cost of advertising required by law where more than minimum space required to comply with the law is taken. Such expenses shall be included in Advertising.

Items includible in Claim Adjustment Services

Fees for automobile license plates (See Travel and Travel Items).

Federal income taxes.

County and municipal premium taxes, licenses and fees.

Sales taxes, etc., included on invoice of vendors. Such taxes are to follow allocation of cost of items purchased.

Line 21 – Real Estate Expenses

Include: Salaries, wages and other compensation, including payroll taxes, of janitors, caretakers, maintenance workers and agents paid in connection with owned real estate.

Cost of operating and maintaining owned real estate.

Cost of insurance in connection with owned real estate.

Cost of advertising in connection with owned real estate.

Line 22 – Real Estate Taxes

Include: Taxes, licenses and fees on owed real estate.

Line 23 – Aggregate Write-ins for Other Expenses

Enter the total of the write-ins listed in schedule Details of Write-ins Aggregated at Line 23 for Other Expenses.

Details of Write-ins Aggregated at Line 23 for Other Expenses

List separately each category of other expense for which there is no pre-printed line in Part 3.

Expenses not listed as includable in other operating expense classifications, and not analogous thereto, shall be included in "Other." Specifically, the following shall be included:

Include: Donations to organized charities.

Cost of tabulating service when such service is rendered by outside organizations.

Amounts received and handled in accordance with the Instruction "Income from Special Services."

Differences between actual amounts paid, and amounts apportioned in accordance with the Instruction "Joint Expenses."

# GENERAL INSTRUCTIONS IN CONNECTION WITH OPERATING EXPENSE CLASSIFICATIONS

**A. Joint Expense**

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, the expenses involved shall be apportioned in accordance with the instructions relating to Joint Expenses, and such apportioned expenses shall be allocated by each company to the same operating expense classifications as if the expenses had been borne wholly. Any difference between the actual amount paid, and the amount of such apportioned expenses, shall be included in the operating expense classification "Miscellaneous."

This instruction does not apply to the following, which are covered by separate instructions herein:

Reinsurance commission and allowance (see Commission and Brokerage – Reinsured Assumed and Ceded)

Commission and brokerage paid to managers and agents (see Commission and Brokerage – Direct)

Allowances to managers and agents (see Allowances to Manager and Agents)

Expenses allocable in accordance with the instruction "Income from Special Services"

**B. Expenses for Account of Another**

Whenever expenses are paid by one company for account of another, the payments shall not appear among the expenses reported by the former, and shall be included by the latter in the same expense classification as if originally paid by it.

**C. Income from Special Services**

Whenever an insurance company receives compensation for sales or services, such as loss adjustment or inspection not related to policies written by the company, and such compensation is not calculated as a joint expense reimbursement, the amount thereof shall be included in the operating expense classification "Miscellaneous." Where an insurance company pays the compensation, allocation shall be made to the expense classification dictated by the nature of the expense.

Reinsurance commission and allowances (See Commission and Brokerage – Reinsurance Assumed and Ceded).

Expenses incurred for the benefit of companies in the same group or fleet are covered by the instruction "Joint Expenses."

**D. Analogous Items**

The list of expenses includible in the operating expense classifications is representative and do not exclude analogous items that are omitted from the lists.

## OPERATIONS AND INVESTMENT EXHIBIT

## PART 4 – NET OPERATING GAIN/LOSS EXHIBIT

Column 1 – Direct Operations

The amounts shown in this column represent the company direct operations. No items from agency operations (even wholly-owned agencies) are to be included in this column; only home office and branch office operations are to be included in this column.

Column 2 – Non-affiliated Agency Operations

The amounts shown in this column represent the company non-affiliated agency operations. This column should include all agency operations other than those that are reported in Column 3.

Column 3 – Affiliated Agency Operations

The amounts shown in this column represent the company affiliated agency operations. Wholly-owned agencies should be included in the amounts shown in this column. The standards for reporting as an affiliated agency are the affiliation standards established under the holding company laws of the domestic state jurisdiction.

Column 4 – Total

The amounts reported in this column are the totals of Columns 1, 2 and 3.

Column 5 – Other Operations

The amounts in this column represent amounts other than those shown in Columns 1, 2 or 3.

Column 6 – Current Year Total

The amounts reported in this column are the total of Columns 4 and 5.

Column 7 – Prior Year Total

The amounts reported in this column are the amounts reported in Column 6 for the prior year.

Line 1.1 – Title Insurance Premiums Earned

The amounts reported in this line are the amounts reported in Operations and Investment Exhibit, Part 1B, Line 3, Column 1.

Line 1.2 – Escrow and Settlement Services

The amounts reported in this line are the amounts reported in Operations and Investment Exhibit, Part 1A, Line 2.

Line 1.3 – Other Title Fees and Service Charges

The amounts reported in this line are the amounts reported in Operations and Investment Exhibit, Part 1A, Lines 3 to 6.

Line 3 – Total Operating Income

The amounts reported on this line are the totals of the amounts shown on Lines 1.1 through 1.3 plus the amount shown on Line 2.

Line 4 – Losses and Loss Adjustment Expenses Incurred

The amounts reported in this line are the amounts reported in Operations and Investment Exhibit, Part 2A, Line 10, Column 4.

Line 5 – Operating Expenses Incurred

The amounts reported in this line are the amounts reported in Operations and Investment Exhibit, Part 3, Line 24, Columns 1 through 3 and Column 6.

Line 6 – Total Operating Deductions

The amounts reported in this line are the amounts reported on Line 4 plus Line 5.

Line 7 – Net Operating Gain or (Loss)

The amounts reported in this line are the amounts reported on Line 3 less the amounts reported on Line 6.

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Exhibit Investment
Income - Capital Gains -
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:

Exhibits 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 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.

# TITLE





 

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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. 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 |
| 8 | 8H |
| 9 | 9A1, 9A2, 9A3, 9A4 and 9C |
| 10 | 10M, 10N(2) and 10O |
| 11 | 11B(2) through 11B(4) |
| 12 | 12A(1) through 12A(8), 12A(11), 12A(12) and 12C(1) |
| 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) and 14D |
| 15 | 15A(2)a, 15B(1)c, 15B(2)b and 15B(2)c |
| 16 | 16(1) |
| 17 | 17C(2) |
| 20 | 20A(1), 20A(2), 20C and 20D |
| 21 | 21E(1), 21E(4), 21F(2) through 21F(4) and 21G |
| 23 | 23B through [illegible], 23H(1)a and 23H(2)a |
| 27 | [illegible] |

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 – Statement of Income

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 ([illegible],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 SVOIidentified 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.

(3) Basis at which the common stocks are stated.

(4) Basis at which the preferred stocks are stated.

(5) Description of the valuation basis of the mortgage loans.

(6) Basis at which the loan-backed securities are stated and the adjustment methodology used for each type of security (prospective or retrospective).

(7) The accounting policies of the reporting entity with respect to investments in subsidiaries, controlled and affiliated entities.

(8) The accounting policies of the reporting entity with respect to investments in joint ventures, partnerships and limited liability companies.

(9) A description of the accounting policy for derivatives.

(10) Whether or not the reporting entity utilizes anticipated investment income as a factor in the premium deficiency calculation.

(11) A summary of management's policies and methodologies for estimating the liabilities for losses and loss/claim adjustment expenses, including discussion of claims for toxic waste cleanup, asbestos-related illnesses or other environmental remediation exposures.

(12) If the capitalization policy and the resultant predefined thresholds changed from the prior period, the reason for the change.

(13) The method used to estimate pharmaceutical rebate receivables.

D. Going Concern

The reporting entity shall provide the following going concern disclosures after management's evaluation of the reporting entity's ability to continue as a going concern and consideration of management's plans to alleviate any substantial doubt about the entity's ability to continue as a going concern.

(1) If after considering management's plans, substantial doubt about an entity's ability to continue as a going concern is alleviated, the reporting entity shall disclose in the notes to the financial statements the following information:

a. Principal conditions and events that raised substantial doubt about the entity's ability to continue as a going concern (before consideration of management's plans).

b. Management's evaluation of the significance of those conditions or events in relation to the entity's ability to meet its obligations.

c. Management's plans that alleviated substantial doubt about the entity's ability to continue as a going concern.

(2) If after considering management's plans, substantial doubt about an entity's ability to continue as a going concern is not alleviated, the entity shall include a statement in the notes to the financial statements indicating that there is substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued. Additionally, the reporting entity shall disclose the information in paragraphs 1D(1)a and 1D(1)b, as well as the management plans that are intended to mitigate the conditions or events that raise substantial doubt about the entity's ability to continue as a going concern.

(3) The going concern evaluation and going concern disclosures discussed in *SSAP No. 1—Accounting Policies, Risks & Uncertainties, and Other Disclosures* are required for both interim and annual financial statements. If substantial doubt was determined, and the conditions or events continue to raise substantial doubt about an entity's ability to continue as a going concern in subsequent annual or interim reporting periods, the entity shall continue to provide the disclosures in each subsequent reporting period. In these subsequent periods, the disclosures should become more extensive as additional information becomes available about the relevant conditions or events and about management's plans. The entity shall provide appropriate context and continuity in explaining how conditions or events have changed between reporting periods.

(4) For the period in which substantial doubt no longer exists (before or after consideration of management plans), an entity shall disclose how the relevant conditions or events that raised substantial doubt were resolved.

<u>Illustration:</u>

A. Accounting Practices

The financial statements of XYZ Company are presented on the basis of accounting practices prescribed or permitted by the ABC Insurance Department.

The ABC Insurance Department recognizes only statutory accounting practices prescribed or permitted by the State of ABC for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the ABC Insurance Law. The National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures Manual* (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the state of ABC. The state has adopted certain prescribed accounting practices that differ from those found in NAIC SAP. Specifically, 1) goodwill arising from the purchase of a subsidiary, controlled or affiliated entity is written off directly to surplus in the year it originates by ABC domiciled companies. In NAIC SAP, goodwill in amounts not to exceed 10% of a reporting entity's capital and surplus may be capitalized and all amounts of goodwill are amortized to unrealized gains and losses on investments over periods not to exceed 10 years, and, 2) 100% of all fixed assets are admitted by ABC domiciled companies. In NAIC SAP, fixed assets are not admitted. The Commissioner of Insurance has the right to permit other specific practices that deviate from prescribed practices.

The Company, with the explicit permission of the Commissioner of Insurance of the State of ABC, records the value of its home office building at fair value instead of at depreciated cost required by the NAIC SAP. If the home office building were carried at depreciated cost, home office property and statutory surplus would be decreased by $_________ and $_________ as of December 31, 20__ and 20__, respectively. Additionally, net income would be increased by $_________ and $_________ respectively, for the years then ended. Finally, if the Company had not been permitted to record the value of its home office building at fair value, the Company's risk-based capital would have triggered a regulatory event.

A reconciliation of the Company's net income and capital and surplus between NAIC SAP and practices prescribed and permitted by the State of ABC is shown below:

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

**THE RECONCILIATION TABLE BELOW IS REQUIRED REGARDLESS OF WHETHER THE REPORTING ENTITY HAS ANY STATE PRESCRIBED OR PERMITTED PRACTICES.**

| | | SSAP # | F/S Page | F/S Line # | 20____ | 20____ |
|---|---|---|---|---|---|---|
| NET INCOME | | | | | | |
| (1) | ABC Company state basis (Page 4, Line 15, Columns 1 & 2) | XXX | XXX | XXX | $ .................. | $ .................. |
| (2) | State Prescribed Practices that are an increase/(decrease) from NAIC SAP: | | | | | |
| | ............................................................ | .......... | .......... | .......... | $ .................. | $ .................. |
| | ............................................................ | .......... | .......... | .......... | $ .................. | $ .................. |
| | ............................................................ | .......... | .......... | .......... | $ .................. | $ .................. |
| (3) | State Permitted Practices that are an increase/(decrease) from NAIC SAP: | | | | | |
| | ............................................................ | .......... | .......... | .......... | $ .................. | $ .................. |
| | ............................................................ | .......... | .......... | .......... | $ .................. | $ .................. |
| | ............................................................ | .......... | .......... | .......... | $ | $ |
| (4) | NAIC SAP (1-2-3=4) | XXX | XXX | XXX | $ | $ |
| SURPLUS | | | | | | |
| (5) | ABC Company state basis (Page 3, Line 32, Columns 1 & 2) | XXX | XXX | XXX | | |
| (6) | State Prescribed Practices that are an increase/(decrease) from NAIC SAP: | | | | | |
| | ............................................................ | .......... | .......... | .......... | $ .................. | $ .................. |
| | ............................................................ | .......... | .......... | .......... | $ .................. | $ .................. |
| | ............................................................ | .......... | .......... | .......... | $ .................. | $ .................. |
| (7) | State Permitted Practices that are an increase/(decrease) from NAIC SAP: | | | | | |
| | ............................................................ | .......... | .......... | .......... | $ .................. | $ .................. |
| | ............................................................ | .......... | .......... | .......... | $ .................. | $ .................. |
| | ............................................................ | .......... | .......... | .......... | $ | $ |
| (8) | NAIC SAP (5-6-7=8) | XXX | XXX | XXX | $ | $ |

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

C. Accounting Policy

Premiums are earned over the terms of the related insurance policies and reinsurance contracts. Unearned premium reserves are established to cover the unexpired portion of premiums written. Such reserves are computed by pro rata methods for direct business and are based on reports received from ceding entities for reinsurance.

Expenses incurred in connection with acquiring new insurance business, including such acquisition costs as sales commissions, are charged to operations as incurred. Expenses incurred are reduced for ceding allowances received or receivable.

In addition, the company uses the following accounting policies:

(1) Short-term investments are stated at amortized cost.

(2) Bonds not backed by other loans are stated at amortized cost using the interest method.

The company holds three (3) SVO-Identified bond ETFs reported on Schedule D-1. Two of these ETFs are reported at fair value, and the company has made an irrevocable decision to hold one of the ETFs at systematic value. The company has elected to utilize different measurement methods for the SVO-Identified bond ETFs for the following reasons:

> The company previously utilized systematic value for the reporting of an SVO-Identified bond ETF reported on Schedule D-1. On June 1, XX, the company sold all interests in the SVO-Identified bond ETF (entire CUSIP). On October 30, XX, the reporting entity reacquired the SVO-Identified bond ETF (same CUSIP) and did not elect to utilize the systematic value for this SVO-Identified bond ETF. Pursuant to the guidance in SSAP No. 26R, a different measurement method is permitted as the reacquisition occurred 9[illegible] days after the sale of the SVO-Identified investment.
>
> The Company previously utilized systematic value for the reporting of an SVO-Identified bond ETF reported on Schedule D-1. As of Dec. 31, XX, the SVO-Identified bond ETF was no longer included on the SVO listing an SVO-Identified bond ETF. Therefore, this ETF was no longer captured within the scope of SSAP No. 26R and permitted to be reported on Schedule D-1. Pursuant to the statutory accounting guidance, this ETF is now captured within the scope of SSAP No. 30 and is reported at fair value on Schedule D-2-2.
>
> The company previously utilized systematic value for the reporting of an SVO-Identified bond ETF reported on Schedule D-1. As of Dec. 31, XX, the SVO-Identified bond ETF had an NAIC designation of 3. Pursuant to the guidance in SSAP No. 26R, a non-AVR reporting entity is only permitted to utilize systematic value for SVO-Identified bond ETFs with an NAIC designation of 1 or 2. As this ETF no longer qualifies for systematic value, but is still on the SVO-Identified list, it is captured within scope of SSAP No. 26R, reported on Schedule D-1, but is now reported at fair value.

(3) Common Stocks are stated at market except that investments in stocks of uncombined subsidiaries and affiliates in which the Company has an interest of 20% or more are carried on the equity basis.

(4) Preferred stocks are stated in accordance with the guidance provided in SSAP No. 32.

(5) Mortgage loans on real estate are stated at the aggregate carrying value less accrued interest.

(6) Loan-backed securities are stated at either amortized cost or the lower of amortized cost or fair value. The retrospective adjustment method is used to value all securities except for interest only securities or securities where the yield had become negative, that are valued using the prospective method.

(7) The Company carries ABC Non-insurance company at GAAP equity plus the remaining Goodwill balance of $ ______.

(8) The company has minor ownership interests in joint ventures. The company carries these interests based on the underlying audited GAAP equity of the investee.

(9) All derivatives are stated at fair value.

(10) The Company anticipates investment income as a factor in the premium deficiency calculation, in accordance with *SSAP No. 53—Property-Casualty Contract – Premiums*.

(11) Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liabilities are continually reviewed and any adjustments are reflected in the period determined.

(12) The Company has not modified its capitalization policy from the prior period.

**2. Accounting Changes and Corrections of Errors**

Instruction:

Describe material changes in accounting principles and/or correction of errors. Include:

- A brief description of the change, encompassing a general disclosure of the reason and justification for the change or correction.

- The impact of the change or correction on net income, surplus, total assets and total liabilities for the two years presented in the financial statements (i.e., the balance sheet and statement of income).

- The effect on net income of the current period for a change in estimate that affects several future periods, such as a change in the service lives of depreciable assets or actuarial assumptions affecting pensions costs. Disclosure of the effect on those income statement amounts is not necessary for estimates made each period in the ordinary course of accounts for items such as uncollectible accounts. However, disclosure is recommended if the effect of a change in the estimate is material.

- When subsequent financial statements are issued containing comparative restated results as a result of the filing of an amended financial statement, the reporting entity shall disclose that the prior period has been restated and the nature and amount of such restatement.

Illustration:

During the current year's financial statement preparation, the Company discovered an error in the compiling and reporting of investment income from an affiliate for the prior year. In the prior year, common stocks (Assets Page, Line ____) and investment income earned from affiliates (included in Statement of Income, Line ____) were understated by $__________. Line ____ on the Assets Page and Line ____ on the Gains and Losses section of the Statement of Income have been adjusted in the current year to correct for this error.

**3. Business Combinations and Goodwill**

Instruction:

A. Statutory Purchase Method

For business combinations accounted for under the statutory purchase method, disclose the following for as long as unamortized goodwill is reported as a component of the investment:

- The name and brief description of the acquired enity.

- That the method of accounting is the statutory purchase method.

- Acquisition date, cost of the acquired entity and the original amount of admitted goodwill.

- The amount of amortization of goodwill recorded for the period, the admitted goodwill as of the reporting date and admitted goodwill as a percentage of the SCA's book adjusted carrying value (gross of admitted goodwill).

B. Statutory Merger

For business combinations taking the form of a statutory merger, disclose:

(1) The names and brief description of the combined entities.

(2) Method of accounting, that is, the statutory merger method.

(3) Description of the shares of stock issued in the transaction.

(4) Details of the results of operations of the previously separate entities for the period before the combination is consummated that are included in the current combined net income, including revenue, net income, and other changes in surplus.

(5) A description of any adjustments recorded directly to surplus for any entity that previously did not prepare statutory statements.

C. Impairment Loss

If an impairment loss was recognized, disclose the following in the period of the impairment write-down:

(1) A description of the impaired assets and the facts and circumstances leading to the impairment, and

(2) The amount of the impairment charged to realized capital gains and losses and how fair value was determined.

<u>Illustration:</u>

A. Statutory Purchase Method

The Company purchased 100% interest of XYZ Insurance Company on 6/30/_____. XYZ Insurance Company is licensed in 49 states and sells workers' compensation products exclusively.

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

The transaction was accounted for as a statutory purchase and reflects the following:

| 1<br>Purchased entity | 2<br>Acquisition date | 3<br>Cost of acquired entity | 4<br>Original amount of admitted goodwill | 5<br>Admitted goodwill as of the reporting date | 6<br>Amount of goodwill amortized during the reporting period | 7<br>Admitted goodwill as a % of SCA BACV, gross of admitted goodwill |
|---|---|---|---|---|---|---|
| .............................................. | ............ | $ .............. | $ .............. | $ .............. | $ .............. | .........% |
| .............................................. | ............ | $ .............. | $ .............. | $ .............. | $ .............. | .........% |
| .............................................. | ............ | $ .............. | $ .............. | $ .............. | $ .............. | .........% |
| .............................................. | ............ | $ .............. | $ .............. | $ .............. | $ .............. | .........% |
| .............................................. | ............ | $ .............. | $ .............. | $ .............. | $ .............. | .........% |

B. Statutory Merger

(1) The Company merged with ABC Service Company on June 30, _____.

(2) The transaction was accounted for as a statutory merger.

(3) The Company issued _____ voting shares of common stock in exchange for all common stock of ABC Service Company.

(4) Pre merger separate company revenue, net income, and other surplus adjustments for the six months ended 6/30/_____ were $________, $________, $________, respectively for the Company and $________, $________, $________, respectively for ABC Service Company.

(5) No adjustments were made directly to the surplus of ABC Service Company as a result of the merger.

C. Impairment Loss

The Company did not recognize an impairment loss on the transactions described above.

## 4. Discontinued Operations

Instruction:

### A. Discontinued Operation Disposed of or Classified as Held for Sale

The following shall be disclosed in the period in which a discontinued operation either has been disposed of or is classified as held for sale under *SSAP No. 24—Discontinued Operations and Unusual or Infrequent Items*:

(1) The reporting entity shall assign a unique number for each discontinued operation and provide in a table the unique number assigned with a brief description of the discontinued operation.

NOTE: The unique number assigned for each discontinued operation will be used to identify the discontinued operation when referencing the discontinued operation in other parts of the disclosure.

(2) Description of the facts and circumstances leading to the disposal or expected disposal and a description of the expected manner and timing of that disposal.

(3) The loss recognized on the discontinued operation. The recognized loss shall be reported for the reporting period, and as a cumulative total since classified as held for sale.

(4) The carrying amount immediately prior to the classification as held for sale, and the current fair value less costs to sell, including the balance sheet lines where the item is reported. Also report income received from the discontinued operation prior to the disposal transaction.

### B. Change in Plan of Sale of Discontinued Operation

If the entity decides to change its plan of sale for the discontinued operation, disclose a description of the facts and circumstances leading to the decision to change the plan and the effect on the assets reported in the financial statements.

Adjustments to amounts reported related to discontinued operations as a result of:

- The resolution of contingencies that arise pursuant to the terms of the disposal transaction, such as the resolution of purchase price contingencies and indemnification issues with the purchaser.

- The resolution of contingencies that arise from and are directly related to the disposal of a discontinued operation of the component in a period prior to its disposal, such as environmental and product warranty obligations retained by the seller.

- The settlement of employee benefit plan obligations (pension, postemployment benefits other than pensions, and other postemployment benefits), provided the settlement is directly related to the disposal transaction. (A settlement is directly related to the disposal transaction if there is a demonstrated direct cause-and-effect relationship and the settlement occurs no later than one year following the disposal transaction, unless it is delayed by events or circumstances beyond an entity's control.)

C. Nature of Any Significant Continuing Involvement with Discontinued Operations After Disposal

If the entity will retain significant continuing involvement with a discontinued operation after the disposal transaction, the entity shall complete the disclosures for the bullet items shown below. Examples of significant continuing involvement include a supply and distribution arrangement, a financial guarantee, an option to repurchase and an equity method investment in the discontinued operation.

- Description of the activities that give rise to the continuing involvement.
- The period of time the involvement is expected to continue.
- The expected cash inflows/outflows as a result of continuing involvement.

D. Equity Interest Retained in the Discontinued Operation After Disposal

If the entity will retain an equity interest in the discontinued operation after the disposal date, disclose the ownership interest before and after the disposal transaction and the entity's share of the income or loss of the investee as of the year-end reporting date after the disposal transaction.

Illustration:

**THIS EXACT FORMAT MUST BE USED IN THE PREPARATION OF THIS NOTE FOR THE TABLES BELOW EXCLUDING THE NARRATIVE FOR LINE 2. REPORTING ENTITIES ARE NOT PRECLUDED FROM PROVIDING CLARIFYING DISCLOSURE BEFORE OR AFTER THESE ILLUSTRATIONS.**

A. Discontinued Operation Disposed of or Classified as Held for Sale

(1) List of Discontinued Operations Disposed of or Classified as Held for Sale

| Discontinued Operation Identifier | Description of Discontinued Operation |
|---|---|
| .................... | .................................................................................................................... |
| .................... | .................................................................................................................... |
| .................... | .................................................................................................................... |
| .................... | .................................................................................................................... |

(2) The Company entered into a definitive agreement dated ____ ____, 20__to sell its Group Health Operations (Identifier XXX) to ABC Company for $______ in cash, subject to various closing adjustments. The net loss from disposal is expected to be $_______. The sale is expected to be completed no later than midyear 20__. The sale is subject to state regulatory approval and other customary conditions. Results of the Discontinued Operations will be included in the Company's Statement of Revenue and Expenses until the closing and be consistently with the company's reporting of continuing operations.

(3) Loss Recognized on Discontinued Operations

| Discontinued Operation Identifier | Amount for Reporting Period | Cumulative Amount Since Classified as Held for Sale |
|---|---|---|
| ........................................... | $ ........................................... | $ ........................................... |
| ........................................... | $ ........................................... | $ ........................................... |
| ........................................... | $ ........................................... | $ ........................................... |
| ........................................... | $ ........................................... | $ ........................................... |

(4) Carrying Amount and Fair Value of Discontinued Operations and the Effect on Assets, Liabilities, Surplus and Income

a. Carrying Amount of Discontinued Operations

| Discontinued Operation Identifier | Carrying Amount Immediately Prior to Classification as Held for Sale | Current Fair Value Less Costs to Sell |
|---|---|---|
| ................................... | $ ..................................................... | $ ................................... |
| ................................... | $ ..................................................... | $ ................................... |
| ................................... | $ ..................................................... | $ ................................... |
| ................................... | $ ..................................................... | $ ................................... |

b. Effect of Discontinued Operations on Assets, Liabilities, Surplus and Income

| | Discontinued Operation Identifier | Line Number | Line Description | Amount Attributable to Discontinued Operations |
|---|---|---|---|---|
| 1. Assets | | | | |
| | ................. | .......... | ................................................ | $ ..................... |
| | ................. | .......... | ................................................ | $ ..................... |
| | ................. | .......... | ................................................ | $ ..................... |
| 2. Liabilities | | | | |
| | ................. | .......... | ................................................ | $ ..................... |
| | ................. | .......... | ................................................ | $ ..................... |
| | ................. | .......... | ................................................ | $ ..................... |
| 3. Surplus | | | | |
| | ................. | .......... | ................................................ | $ ..................... |
| | ................. | .......... | ................................................ | $ ..................... |
| | ................. | .......... | ................................................ | $ ..................... |
| 4. Income | | | | |
| | ................. | .......... | ................................................ | $ ..................... |
| | ................. | .......... | ................................................ | $ ..................... |
| | ................. | .......... | ................................................ | $ ..................... |

5. **Investments**

Instruction:

A. Mortgage Loans, including Mezzanine Real Estate Loans

For mortgage loans, disclose the following information:

(1) The minimum and maximum rates of interest received for new loans made by category.

(2) The maximum percentage of any one loan to the value of security at the time of the loan.

(3) Taxes, assessments and any amounts advanced and not included in mortgage loan total.

(4) Age analysis of mortgage loans and identification of mortgage loans in which the insurer is a participant or co-lender in a mortgage Loan agreement.

An age analysis of mortgage loans, aggregated by type (Farm, Residential Insured, Residential All Other, Commercial Insured, Commercial All Other, Mezzanine), capturing:

- Recorded investment of current mortgage loans
- Recorded investment of mortgage loans past due classified as:
  - ❖ 30-59 days past due
  - ❖ 60-89 days past due
  - ❖ 90-179 days past due
  - ❖ 180+ days past due
- Recorded investment of mortgage loans past due still accruing interest:
  - ❖ 90-179 days past due
  - ❖ 180+ past due days
- Interest accrued for mortgage loans past due:
  - ❖ 90-179 days past due
  - ❖ 180+ past due days
- Interest reduced:
  - ❖ Recorded investment
  - ❖ Number of loans
  - ❖ Percent Reduced (weighted-average % of the aggregated reduced recorded investments).
- Identification of mortgage loans in which the insurer is a participant or co-lender in a mortgage loan agreement.

(5) Disclose for investment in impaired loans aggregated by type (Farm, Residential Insured, Residential All Other, Commercial Insured, Commercial All Other, Mezzanine) the following:

- The amount for which there is a related allowance for credit losses determined in accordance with this *SSAP No. 37—Mortgage Loans.*
- The amount for which there is no related allowance for credit losses determined in accordance with this *SSAP No. 37—Mortgage Loans*.
- The total recorded investment in impaired loans subject to a participant or co-lender mortgage loan agreement for which the reporting entity is restricted from unilaterally foreclosing on the mortgage loan.

(6) For impaired loans disclose the amounts, aggregated by type (Farm, Residential Insured, Residential All Other, Commercial Insured, Commercial All Other, Mezzanine), related to the following:

- Average recorded investment
- Interest income recognized
- Recorded investments on nonaccrual status pursuant to *SSAP No. 34—Investment Income Due and Accrued*
- Unless not practicable, the amount of interest income recognized using a cash-basis method of accounting during the time within that period that the loans were impaired.

(7) For each period for which results of operations are presented, the activity in the allowance for credit losses account, including:

a. The balance in the allowance for credit losses account at the beginning of each period.

b. Additions charged to operations.

c. Direct write-downs charged against the allowance.

d. Recoveries of amounts previously charged off.

e. The balance in the allowance for credit losses account at the end of each period.

(8) For mortgage loans derecognized as a result of foreclosure, provide the following:

a. Aggregate amount of mortgage loans derecognized as a result of foreclosure.

b. Real estate collateral recognized.

c. Other collateral recognized.

d. Receivables recognized from a government guarantee of the foreclosed mortgage loan.

(9) The policy for recognizing interest income on impaired loans, including the method for recording cash receipts.

B. Debt Restructuring

For restructured debt in which the reporting entity is a creditor, disclose the following:

(1) The recorded investment in the loans for which impairment has been recognized in accordance with *SSAP No. 36—Troubled Debt Restructuring*.

(2) The related realized capital loss.

(3) The amount of commitments, if any, to lend additional funds to debtors owing receivables whose terms have been modified in troubled debt restructuring.

(4) The creditor's income recognition policy for interest income on an impaired loan.

C. Reverse Mortgages

For reverse mortgages, disclose the following:

(1) A description of the reporting entity's accounting policies and methods, including the statistical methods and assumptions used in calculating the reserve.

(2) General information regarding the reporting entity's commitment under the agreement.

(3) The reserve amount that is netted against the asset.

(4) Investment income or loss recognized in the period as a result of the re-estimated cash flows.

D. Loan-Backed Securities

For loan-backed securities, disclose the following:

(1) Descriptions of sources used to determine prepayment assumptions.

(2) All securities within the scope of *SSAP No. 43R—Loan-Backed and Structured Securities* with a recognized other-than-temporary impairment, disclosed in the aggregate, classified on the basis for the other-than-temporary impairment:

- Intent to sell.

- Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis.

(3) For each security, by CUSIP, with an other-than-temporary impairment, recognized in the current reporting period by the reporting entity, as the present value of cash flows expected to be collected is less than the amortized cost basis of the securities:

- The amortized cost basis, prior to any current-period other-than-temporary impairment.

- The other-than-temporary impairment recognized in earnings as a realized loss.

- The fair value of the security.

- The amortized cost basis after the current-period other-than-temporary impairment.

(4) All impaired securities (fair value is less than cost or amortized cost) for which an other-than-temporary impairment has not been recognized in earnings as a realized loss (including securities with a recognized other-than-temporary impairment for non-interest related declines when a non-recognized interest related impairment remains):

a. The aggregate amount of unrealized losses (that is, the amount by which cost or amortized cost exceeds fair value) and

b. The aggregate related fair value of securities with unrealized losses.

The disclosures in (a) and (b) above should be segregated by those securities that have been in a continuous unrealized loss position for less than 12 months and those that have been in a continuous unrealized loss position for 12 months or longer using fair values determined in accordance with *SSAP No. 27—Off-Balance-Sheet and Credit Risk Disclosures*.

(5) Additional information should be included describing the general categories of information that the investor considered in reaching the conclusion that the impairments are not other-than-temporary.

E. Dollar Repurchase Agreements and/or Securities Lending Transactions

(1) For securities lending transactions, disclose the policy for requiring collateral or other security as required in *SSAP No. 103R—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. This would also apply to separate accounts.

(2) If the entity has pledged any of its assets as collateral that are not reclassified and separately reported in the statement of financial position pursuant to *SSAP No. 103R—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, disclose the carrying amount and classification of both those assets and associated liabilities as of the date of the latest statement of financial position presented, including qualitative information about the relationship(s) between those assets and associated liabilities. For example, if assets are restricted solely to satisfy a specific obligation, the carrying amounts of those assets and associated liabilities, including a description of the nature of restrictions placed on the assets, shall be disclosed.

(3) If the entity or its agent has accepted collateral that it is permitted by contract or custom to sell or repledge, disclose the following information by type of program (securities lending or dollar repurchase agreement) as of the date of each statement of financial position:

a. The aggregate amount of contractually obligated open collateral positions (aggregate amount of securities at current fair value or cash received for which the borrower may request the return of on demand) and the aggregate amount of contractually obligated collateral positions under 30-day, 60-day, 90-day, and greater than 90-day terms;

b. The fair value as of the date of each statement of financial position presented of that collateral and of the portion of that collateral that it has sold or repledged; and

c. Information about the sources and uses of that collateral.

(4) For securities lending transactions administered by an affiliated agent in which "one-line" reporting of the reinvested collateral is optional, at the discretion of the reporting entity, disclose the aggregate value of the reinvested collateral which is "one-line" reported and the aggregate reinvested collateral which is reported in the investment schedules. Identify the rationale between the items which are one-line reported and those that are investment schedule reported and if the treatment has changed from the prior period.

(5) The reporting entity shall provide the following information by type of program (securities lending or dollar repurchase agreement) with respect to the reinvestment of the cash collateral and any securities that it or its agent receives as collateral that can be sold or repledged.

a. The aggregate amount of the reinvested cash collateral (amortized cost and fair value). Reinvested cash collateral should be broken down by the maturity date of the invested asset – under 30-day, 60-day, 90-day, 120-day, 180-day, less than 1 year, 1-2 years, 2-3 years and greater than 3 years.

b. To the extent that the maturity dates of the liability (collateral to be returned) does not match the invested assets, the reporting entity should explain the additional sources of liquidity to manage those mismatches.

(6) If the entity has accepted collateral that it is not permitted by contract or custom to sell or repledge, provide detail on these transactions, including the terms of the contract, and the current fair value of the collateral.

(7) For all securities lending transactions, disclose collateral for transactions that extend beyond one year from the reporting date.

**NOTE: The paragraph below pertains to completion of the disclosures for repurchase/reverse repurchase accounted for as a sale or secured borrowing in Notes 5F through 5I.**

**Reporting entities should complete the disclosures that are relevant to the repurchase/reverse repurchase activity they engaged within the annual and interim reporting periods. For example, if the reporting entity only participated in repurchase transactions accounted for as secured borrowings, only those disclosures shall be included in the financial statement. Those disclosures that are not applicable shall just be noted as "none." (The use of the "sale" accounting method to account for repurchase/reverse repurchase agreements is anticipated to be very limited. Therefore, those disclosures are not anticipated to be applicable to most reporting entities.)**

**For initial application (year-end 2017), information about the fouth-quarter (year-end) balances should be included, without retrospective application of the quarterly detail. In 2018, the disclosure shall build each quarterly reporting period. This disclosure is required in all reporting periods (interim and annual) for all reporting entities that participate in repurchase or reverse repurchase transactions. A reporting entity that discontinues repurchase/reverse repurchase transactions during the year shall continue the disclosure (showing zero balances) in the reporting periods after discontinuing activity (retaining the quarterly detail that occurred prior to discontinuing the activity) through the annual reporting period. A reporting entity that begins participating in repurchase/reverse repurchase activity shall include the full disclosure in the quarterly reporting period for which activities began (noting zero activity in the quarters prior to engaging in the activity).**

F. Repurchase Agreements Transactions Accounted for as Secured Borrowing

If the entity has entered into repurchase agreements accounted for as secured borrowings transactions, disclose the following:

(1) Information regarding the company policy or strategies for engaging in repo programs, policy for requiring collateral.

Also include a discussion of the potential risks associated with the agreements and related collateral received, including the impact of arising changes in the fair value of the collateral received and/or the provided security and how those risks are managed.

To the extent that the maturity dates of the liability (collateral to be returned) do not match the invested assets, the reporting entity shall explain the additional sources of liquidity to manage those mismatches.

The average daily balance (along with minimum and maximum amounts) and the end balance as of each reporting period (quarterly and annual) should be provided for 3 through 5, 7 and 11 below.

(2) Whether repo agreements are bilateral and/or tri-party trades.

(3) Maturity time frame divided by the following categories: open or continuous term contracts for which no maturity date is specified, overnight, 2 days to 1 week, from 1 week to 1 month, greater than 1 month to 3 months, greater than 3 months to 1 year, and greater than 1 year.

(4) Aggregate fair value of securities sold and/or acquired that resulted in default. (This disclosure is not intended to capture "failed trades," which are defined as instances in which the trade did not occur as a result of an error and was timely corrected. Rather, this shall capture situations in which the non-defaulting party exercised their right to terminate after the defaulting party failed to execute.)

Allocation of the fair value of securities sold and/or acquired by counterparty and identification of the counterparty jurisdiction.

(5) Fair value of securities sold in the aggregate, with identification of nonadmitted assets. (Book adjusted carrying value shall be provided as an end balance only.)

(6) Fair value of securities sold by type of security and categorized by NAIC designation, with identification of nonadmitted assets. (Book adjusted carrying value shall be provided as an end balance only.) Although legally sold as a secured borrowing, these assets are still reported by the insurer and shall be coded as restricted pursuant to the annual statement instructions, disclosed in accordance with *SSAP No. 1—Accounting Policies, Risks & Uncertainties, and Other Disclosures* (SSAP No. 1), reported in the general interrogatories, and included in any other statutory schedules or disclosure requirements requesting information for restricted assets.

(7) Cash collateral and the fair value of security collateral (if any) received in the aggregate.

(8) Cash collateral and the fair value of security collateral received by type of security and categorized by NAIC designation with identification of collateral securities received that do not qualify as admitted assets.

(9) For collateral received, aggregate allocation of the collateral by the remaining contractual maturity of the repurchase agreements (gross): overnight and continuous, up to 30 days, 30-90 days and greater than 90 days.

(10) For cash collateral received that has been reinvested, the total reinvested cash and the aggregate amortized cost and fair value of the invested asset acquired with the cash collateral. This disclosure shall be reported by the maturity date of the invested asset: under 30 days, 60 days, 90 days, 120 days, 180 days, less than 1 year, 1-2 years, 2-3 years and greater than 3 years.

(11) Liability recognized to return cash collateral and the liability recognized to return securities received as collateral as required pursuant to the terms of the secured borrowing transaction.

G. Reverse Repurchase Agreements Transactions Accounted for as Secured Borrowing

If the entity has entered into repurchase agreements, accounted for as secured borrowings transactions, disclose the following:

(1) Information regarding the company policy or strategies for engaging in repo programs, policy for requiring collateral.

Include the terms of reverse repurchase agreements whose amounts are included in borrowing money.

Also include a discussion of the potential risks associated with the agreements and related collateral received, including the impact of arising changes in the fair value of the collateral received and/or the provided security and how those risks are managed.

The average daily balance (along with minimum and maximum amounts) and the end balance as of each reporting period (quarterly and annual) should be provided for 3 through 5, 7, 9 and 10 below.

(2) Whether repo agreements are bilateral and/or tri-party trades.

(3) Maturity time frame divided by the following categories: open or continuous term contracts for which no maturity date is specified, overnight, 2 days to 1 week, from 1 week to 1 month, greater than 1 month to 3 months, greater than 3 months to 1 year, and greater than 1 year.

(4) Aggregate fair value of securities sold and/or acquired that resulted in default. (This disclosure is not intended to capture "failed trades," which are defined as instances in which the trade did not occur as a result of an error and was timely corrected. Rather, this shall capture situations in which the non-defaulting party exercised their right to terminate after the defaulting party failed to execute.)

Allocation of the fair value of securities sold and/or acquired by counterparty and identification of the counterparty jurisdiction.

(5) Fair value of securities acquired in the aggregate.

(6) Fair value of securities acquired by type of security and categorized by NAIC designation, with identification of whether acquired assets would not qualify as admitted assets.

(7) Cash collateral and the fair value of security collateral (if any) provided. (If security collateral was provided, book adjusted carrying value shall be provided as an end balance only.) Disclosure shall identify the book adjusted carrying value of any nonadmitted securities provided as collateral.

(8) For collateral pledged, the aggregate allocation of the collateral by the remaining contractual maturity of the repurchase agreements (gross): overnight and continuous, up to 30 days, 30-90 days and greater than 90 days.

(9) Recognized receivable for the return of collateral. (Generally cash collateral, but including securities provided as collateral as applicable under the terms of the secured borrowing transaction. Receivables are not recognized for securities provided as collateral if those securities are still reported as assets of the reporting entity.)

(10) Liability recognized to return cash collateral and the liability recognized to return securities received as collateral as required pursuant to the terms of the secured borrowing transaction.

H. Repurchase Agreements Transactions Accounted for as a Sale

If the entity has entered into repurchase agreements accounted for as sale transactions, disclose the following:

(1) Disclose information regarding the company policy or strategies for engaging in repo programs, policy for requiring collateral.

The average daily balance (along with minimum and maximum amounts) and the end balance as of each reporting period (quarterly and annual) should be provided for 3 through 5, 7 and 9 below.

(2) Whether repo agreements are bilateral and/or tri-party trades.

(3) Maturity time frame divided by the following categories: open or continuous term contracts for which no maturity date is specified, overnight, 2 days to 1 week, from 1 week to 1 month, greater than 1 month to 3 months, greater than 3 months to 1 year, and greater than 1 year.

(4) Aggregate fair value of securities sold and/or acquired that resulted in default. (This disclosure is not intended to capture "failed trades", which are defined as instances in which the trade did not occur as a result of an error and was timely corrected. Rather, this shall capture situations in which the non-defaulting party exercised their right to terminate after the defaulting party failed to execute.)

Allocation of the fair value of securities sold and/or acquired by counterparty and identification of the counterparty jurisdiction

(5) Fair value of securities sold (derecognized from the financial statements) in the aggregate, with information on the book adjusted carrying value of nonadmitted assets sold. (Book adjusted carrying value shall be provided as an end balance only reflecting the amount derecognized from the sale transaction.)

(6) Fair value and book adjusted carrying value of securities sold (derecognized from the financial statements) by type of security and categorized by NAIC designation, with identification of nonadmitted assets, with information on the book adjusted carrying value of nonadmitted assets sold.

(7) Cash collateral and the fair value of security collateral (if any) received as proceeds and recognized in the financial statements in the aggregate with identification of received assets nonadmitted.

(8) Cash collateral and the fair value of security collateral (if any) received as proceeds and recognized in the financial statements by type of security and categorized by NAIC designation with identification of received assets nonadmitted. All securities received shall be coded as restricted pursuant to the annual statement instructions, disclosed in accordance with SSAP No. 1, reported in the general interrogatories, and included in any other statutory schedules or disclosure requirements requesting information for restricted assets.

(9) The forward repurchase commitment recognized to return the cash or securities received. Amount reported shall reflect the stated repurchase price under the repurchase transaction.

I. Reverse Repurchase Agreements Transactions Accounted for as a Sale

If the entity has entered into repurchase agreements, accounted for as sale transactions, disclose the following:

(1) Disclose information regarding the company policy or strategies for engaging in repo programs, policy for requiring collateral.

The average daily balance (along with minimum and maximum amounts) and the end balance as of each reporting period (quarterly and annual) should be provided for 3 through 5, 7 and 8 below.

(2) Whether repo agreements are bilateral and/or tri-party trades.

(3) Maturity time frame divided by the following categories: open or continuous term contracts for which no maturity date is specified, overnight, 2 days to 1 week, from 1 week to 1 month, greater than 1 month to 3 months, greater than 3 months to 1 year, and greater than 1 year.

(4) Aggregate fair value of securities sold and/or acquired that resulted in default. (This disclosure is not intended to capture "failed trades", which are defined as instances in which the trade did not occur as a result of an error and was timely corrected. Rather, this shall capture situations in which the non-defaulting party exercised their right to terminate after the defaulting party failed to execute.)

Allocation of the fair value of securities sold and/or acquired by counterparty and identification of the counterparty jurisdiction, and

(5) Fair value of securities acquired and recognized on the financial statements in the aggregate. (Book adjusted carrying value shall be provided as an end balance only.) The disclosure also requires the book adjusted carrying value of nonadmitted assets acquired.

(6) Fair value of securities acquired and recognized on the financial statements by type of security and categorized by NAIC designation. (Book adjusted carrying value shall be provided.) The disclosure also requires the book adjusted carrying value of nonadmitted assets acquired.

(7) Cash collateral and the fair value of security collateral (if any) provided. (If security collateral was provided, book adjusted carrying value shall be provided as an end balance only.) Disclosure shall also identify whether any nonadmitted assets were provided as collateral (derecognized from the financial statements).

(8) The forward repurchase commitment recognized to return the cash or securities received. Amount reported shall reflect the stated repurchase price under the repurchase transaction.

J. Real Estate

For investments in real estate, disclose the following information:

(1) If an entity recognizes an impairment loss, the entity shall disclose all of the following in financial statements that include the period of the impairment write-down:

a. A description of the impaired assets and the facts and circumstances leading to the impairment;

b. The amount of the impairment loss and how fair value was determined; and

c. The caption in the statement of operations in which the impairment loss is aggregated.

(2) If an entity has sold or classified real estate investments as held for sale, the entity shall disclose the following in the notes to the financial statements covering the period in which the sale was completed or the assets were classified as held for sale:

a. A description of the facts and circumstances leading to the expected disposal, the expected manner and timing of that disposal; and

b. If applicable, the gain or loss recognized and if not separately presented on the face of the summary of operations, the caption in the summary of operations that includes that gain or loss.

(3) If an entity has experienced changes to a plan of sale for an investment in real estate, the entity shall disclose a description of the facts and circumstances leading to the decision to change the plan to sell the asset including the period the decision was made; and its effect on the results of operations for the period and any prior periods presented.

(4) If an entity engages in retail land sales operations, the entity shall disclose the following:

a. Maturities of accounts receivables for each of the five years following the date of the financial statements;

b. Delinquent accounts receivable and the method(s) for determining delinquency;

c. The weighted average and range of stated interest rate of receivables;

d. Estimated total costs and estimated dates of expenditures for improvement for major areas from which sales are being made over each year of the five years following the date of the financial statements; and

e. Recorded obligations for improvements.

(5) If an entity holds real estate investments with participating mortgage loan features, the entity should disclose the following:

a. Aggregate amount of participating mortgage obligations at the balance-sheet date, with separate disclosure of the aggregate participation liabilities and related debt discounts; and

b. Terms of participations by the lender in either the appreciation in the fair value of the mortgaged real estate project or the results of operations of the mortgaged real estate project, or both.

K. Low-Income Housing Tax Credits (LIHTC)

For investments in low-income housing tax credits (LIHTC), disclose the following:

(1) The number of remaining years of unexpired tax credits and the required holding period for the LIHTC investments.

(2) The amount of LIHTC and other tax benefits recognized during the years presented.

(3) The balance of the investment recognized in the statement of financial position for the reporting period(s) presented.

(4) If the LIHTC property is currently subject to any regulatory reviews and the status of such review (e.g., investigations by the housing authority).

(5) The significance of an investment to the reporting entity's financial position and results of operations shall be considered in evaluating the extent of disclosures of the financial position and results of operations of an investment in an LIHTC. If in the aggregate the LIHTC investments exceed 10% of the total admitted assets of the reporting entity, the following disclosures shall be made.

a. (1) The name of each partnership or limited liability entity and percentage of ownership; (2) the accounting policies of the reporting entity with respect to investments in partnerships and limited liability entities; (3) the difference, if any, between the amount at which the investment is carried and the amount of underlying equity in net assets (i.e., nonadmitted goodwill or other nonadmitted assets); and (4) the accounting treatment of the difference.

b. For partnerships and limited liability entities for which a quoted fair value is available, the aggregate value of each partnership or limited liability entity investment based on the quoted fair value.

c. Summarized information as to assets, liabilities, and results of operations for partnerships, and limited liability entities either individually or in groups.

(6) A reporting entity that recognizes an impairment loss shall disclose the following in the financial statements that include the period of the impairment write-down:

a. A description of the impaired assets and the facts and circumstances leading to the impairment.

b. The amount of the impairment and how fair value was determined.

(7) The amount and nature of the write-downs or reclassifications made during the year resulting from the forfeiture or ineligibility of tax credits, etc. These write-downs may be based on actual property level foreclosure, loss of qualification due to occupancy levels, compliance issues with tax code provisions within an LIHTC investment or other issues.

L. Restricted Assets

(1) Restricted Assets (Including Pledged)

Disclose the total gross (admitted and nonadmitted) amount of restricted assets by category, with separate identification of the admitted and nonadmitted restricted assets by category and nature of any assets pledged to others as collateral or otherwise restricted (e.g., not under the exclusive control, assets subject to a put option contract, etc.) by the reporting entity. Provide the total gross amount of restricted assets (current year, prior year and the change between years), the total admitted of restricted assets and the percentage the restricted asset amount (gross and admitted) is of the reporting entity's total assets amount reported on Line 28 of the asset page (gross and admitted respectively) by the following categories:

a. Subject to contractual obligation for which liability is not shown

b. Collateral held under security lending agreements

c. Subject to repurchase agreements

d. Subject to reverse repurchase agreements

e. Subject to dollar repurchase agreements

f. Subject to dollar reverse repurchase agreements

g. Placed under option contracts

h. Letter stock or securities restricted as to sale – excluding FHLB capital stock

i FHLB capital stock

j. On deposit with states

k. On deposit with other regulatory bodies

l. Pledged collateral to FHLB (including assets backing funding agreements)

m. Pledged as collateral not captured in other categories

n. Other restricted assets

o. Total restricted assets



 

(2) Detail of Assets Pledged as Collateral Not Captured in Other Categories

For assets pledged as collateral not captured in other categories reported in aggregate in Note 5L(1) above, provide the total gross (admitted and nonadmitted) amount of restricted assets (current year, prior year and the change between years), the total admitted of restricted assets and the percentage the restricted asset amount (gross and admitted) is of the reporting entity's total assets amount reported on Line 28 of the asset page (gross and admitted, respectively) with a narrative summary of each collateral agreement included in the aggregate number in Note 5L(1) above. Contracts that share similar characteristics, such as reinsurance and derivatives, are to be reported in the aggregate. (Note: This would be the detail for what was reported as "Pledged as Collateral Not Captured in Other Categories" for 5L(1) above.)

(3) Detail of Other Restricted Assets

For other restricted assets reported in aggregate in Note 5L(1) above, provide the total gross (admitted and nonadmitted) amount of restricted assets (current year, prior year and the change between years), the total admitted of restricted assets and the percentage the restricted asset amount (gross and admitted) is of the reporting entity's total assets amount reported on Line 28 of the asset page (gross and admitted respectively) with a description of each of the other restricted assets included in the aggregate number in Note 5L(1) above. Contracts that share similar characteristics, such as reinsurance and derivatives, are to be reported in the aggregate. (Note: This would be the detail for what was reported as "Other Restricted Assets" for 5L(1) above.)

(4) Collateral Received and Reflected as Assets Within the Reporting Entity's Financial Statements

Disclose the following for the general account:

- Nature of any assets received as collateral reflected as assets within the reporting entity's financial statements
- Book/adjusted carrying value (BACV) of the collateral
- Fair value of the collateral
- The recognized liability to return these collateral assets
- The percentage the collateral asset BACV amount (gross and admitted) is of the reporting entity's total assets amount reported on Line 26 of the asset page (gross and admitted, respectively).

NOTE: The information captured within this disclosure is intended to aggregate the information reported in the Annual Statement Investment Schedules in accordance with the coding of investments that are not under the exclusive control of the reporting entity, including assets loaned to others, and the information reported in the General Interrogatories.

Restricted assets in the separate account are not intended to capture amounts "restricted" only because they are insulated from the general account or because they are attributed to specific policyholders. Separate account assets shall be captured in this disclosure only if they are restricted outside of these characteristics.

M. Working Capital Finance Investments

(1) Disclose the following in aggregate regarding the book/adjusted carrying value of working capital finance investments (WCFI) by NAIC designation:

- Gross assets amounts
- Nonadmitted assets amounts
- Net admitted assets amounts

**NOTE: Programs designated 3 through 6 are nonadmitted.**

(2) Disclose the aggregate book/adjusted carrying value maturity distribution on the underlying Working Capital Finance Programs by the following categories: maturities up to 180 days and 181 days to 365 days.

(3) Disclose any events of default of working capital finance investments during the reporting period.

N. Offsetting and Netting of Assets and Liabilities

The following quantitative information shall be disclosed (separately for assets and liabilities) when derivative, repurchase and reverse repurchase, and securities borrowing and securities lending assets and liabilities are offset and reported net in accordance with a valid right to offset per *SSAP No. 64—Offsetting and Netting of Assets and Liabilities*:

- The gross amounts of recognized assets and recognized liabilities;
- The amounts offset in accordance with a valid right to offset per *SSAP No. 64—Offsetting and Netting of Assets and Liabilities*; and
- The net amounts presented in the statement of financial positions.

Assets and liabilities that have a valid right to offset, but are not netted as they are prohibited under *SSAP No. 64—Offsetting and Netting of Assets and Liabilities* are not required to be captured in the disclosures.

O. Structured Notes

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

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

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

P. 5* Securities

For each annual reporting period, a comparable disclosure to the prior annual reporting period of the number of 5* securities, by investment type, and the book adjusted carrying value and fair value for those securities.

Q. Short Sales

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

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

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

(2) Settled Short Sale Transactions

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

R. Prepayment Penalty and Acceleration Fees

For securities sold, redeemed or otherwise disposed as a result of a callable feature (including make whole call provisions), disclose the number of CUSIPs sold, disposed or otherwise redeemed and the aggregate amount of investment income generated as a result of a prepayment penalty and/or acceleration fee.

<u>Illustration</u>

A. Mortgage Loans, including Mezzanine Real Estate Loans

(1) The maximum and minimum lending rates for mortgage loans during 20__ were:

Farm loans 10.5% and 9%, City loans 11.5% and 9.5%, Purchase money mortgages 10.5% and 9.5%.

(2) The maximum percentage of any one loan to the value of security at the time of the loan, exclusive of insured or guaranteed or purchase money mortgages was: ______%

**THIS EXACT FORMAT MUST BE USED IN THE PREPARATION OF THIS NOTE FOR THE TABLES (LINES 3 THROUGH [illegible]) BELOW. REPORTING ENTITIES ARE NOT PRECLUDED FROM PROVIDING CLARIFYING DISCLOSURE BEFORE OR AFTER THESE ILLUSTRATIONS.**

| | Current Year | Prior Year |
|---|---|---|
| (3) Taxes, assessments and any amounts advanced and not included in the mortgage loan total: | $ ____________ | $ ____________ |

(4) Age Analysis of Mortgage Loans and Identification of Mortgage Loans in Which the Insurer is a Participant or Co-lender in a Mortgage Loan Agreement:

| | Farm | Residential | | Commercial | | Mezzanine | Total |
|---|---|---|---|---|---|---|---|
| | | Insured | All Other | Insured | All Other | | |
| a. Current Year | | | | | | | |
| 1. Recorded Investment (All) | | | | | | | |
| (a) Current | $ .............. | $ .............. | $ .............. | $ .............. | $ .............. | $ .............. | $ .............. |
| (b) 30-59 Days Past Due | .............. | .............. | .............. | .............. | .............. | .............. | .............. |
| (c) 60-89 Days Past Due | .............. | .............. | .............. | .............. | .............. | .............. | .............. |
| (d) 90-179 Days Past Due | .............. | .............. | .............. | .............. | .............. | .............. | .............. |
| (e) 180+ Days Past Due | .............. | .............. | .............. | .............. | .............. | .............. | .............. |
| 2. Accruing Interest 90-179 Days Past Due | | | | | | | |
| (a) Recorded Investment | $ .............. | $ .............. | $ .............. | $ .............. | $ .............. | $ .............. | $ .............. |
| (b) Interest Accrued | .............. | .............. | .............. | .............. | .............. | .............. | .............. |
| 3. Accruing Interest 180+ Days Past Due | | | | | | | |
| (a) Recorded Investment | $ .............. | $ .............. | $ .............. | $ .............. | $ .............. | $ .............. | $ .............. |
| (b) Interest Accrued | .............. | .............. | .............. | .............. | .............. | .............. | .............. |
| 4. Interest Reduced | | | | | | | |
| (a) Recorded Investment | $ .............. | $ .............. | $ .............. | $ .............. | $ .............. | $ .............. | $ .............. |
| (b) Number of Loans | .............. | .............. | .............. | .............. | .............. | .............. | .............. |
| (c) Percent Reduced | ..........% | ..........% | ..........% | ..........% | ..........% | ..............% | ..........% |
| 5. Participant or Co-lender in a Mortgage Loan Agreement | | | | | | | |
| (a) Recorded Investment | $ .............. | $ .............. | $ .............. | $ .............. | $ .............. | $ .............. | $ .............. |
| b. Prior Year | | | | | | | |
| 1. Recorded Investment | | | | | | | |
| (a) Current | $ .............. | $ .............. | $ .............. | $ .............. | $ .............. | $ .............. | $ .............. |
| (b) 30-59 Days Past Due | .............. | .............. | .............. | .............. | .............. | .............. | .............. |
| (c) 60-89 Days Past Due | .............. | .............. | .............. | .............. | .............. | .............. | .............. |
| (d) 90-179 Days Past Due | .............. | .............. | .............. | .............. | .............. | .............. | .............. |
| (e) 180+ Days Past Due | .............. | .............. | .............. | .............. | .............. | .............. | .............. |
| 2. Accruing Interest 90-179 Days Past Due | | | | | | | |
| (a) Recorded Investment | $ .............. | $ .............. | $ .............. | $ .............. | $ .............. | $ .............. | $ .............. |
| (b) Interest Accrued | .............. | .............. | .............. | .............. | .............. | .............. | .............. |
| 3. Accruing Interest 180+ Days Past Due | | | | | | | |
| (a) Recorded Investment | $ .............. | $ .............. | $ .............. | $ .............. | $ .............. | $ .............. | $ .............. |
| (b) Interest Accrued | .............. | .............. | .............. | .............. | .............. | .............. | .............. |
| 4. Interest Reduced | | | | | | | |
| (a) Recorded Investment | $ .............. | $ .............. | $ .............. | $ .............. | $ .............. | $ .............. | $ .............. |
| (b) Number of Loans | .............. | .............. | .............. | .............. | .............. | .............. | .............. |
| (c) Percent Reduced | ..........% | ..........% | ..........% | ..........% | ..........% | ..............% | ..........% |
| 5. Participant or Co-lender in a Mortgage Loan Agreement | | | | | | | |
| (a) Recorded Investment | $ .............. | $ .............. | $ .............. | $ .............. | $ .............. | $ .............. | $ .............. |

(5) Investment in Impaired Loans With or Without Allowance for Credit Losses and Impaired Loans Subject to a Participant or Co-lender Mortgage Loan Agreement for Which the Reporting Entity is Restricted from Unilaterally Foreclosing on the Mortgage Loan:

| | Farm | Residential | | Commercial | | Mezzanine | Total |
|---|---|---|---|---|---|---|---|
| | | Insured | All Other | Insured | All Other | | |
| a. Current Year | | | | | | | |
| 1. With Allowance for Credit Losses | $ .............. | $ .............. | $ .............. | $ .............. | $ .............. | $ .............. | $ .............. |
| 2. No Allowance for Credit Losses | .............. | .............. | .............. | .............. | .............. | .............. | .............. |
| 3. Total (1+2) | .............. | .............. | .............. | .............. | .............. | .............. | .............. |
| 4. Subject to a participant or co-lender mortgage loan agreement for which the reporting entity is restricted from unilaterally foreclosing on the mortgage loan | .............. | .............. | .............. | .............. | .............. | .............. | .............. |
| b. Prior Year | | | | | | | |
| 1. With Allowance for Credit Losses | $ .............. | $ .............. | $ .............. | $ .............. | $ .............. | $ .............. | $ .............. |
| 2. No Allowance for Credit Losses | .............. | .............. | .............. | .............. | .............. | .............. | .............. |
| 3. Total (1+2) | .............. | .............. | .............. | .............. | .............. | .............. | .............. |
| 4. Subject to a participant or co-lender mortgage loan agreement for which the reporting entity is restricted from unilaterally foreclosing on the mortgage loan | .............. | .............. | .............. | .............. | .............. | .............. | .............. |

(6) Investment in Impaired Loans – Average Recorded Investment, Interest Income Recognized, Recorded Investment on Nonaccrual Status and Amount of Interest Income Recognized Using a Cash-Basis Method of Accounting:

| | Farm | Residential | | Commercial | | Mezzanine | Total |
|---|---|---|---|---|---|---|---|
| | | Insured | All Other | Insured | All Other | | |
| a. Current Year | | | | | | | |
| 1. Average Recorded Investment | $ .............. | $ .............. | $ .............. | $ .............. | $ .............. | $ .............. | $ .............. |
| 2. Interest Income Recognized | .............. | .............. | .............. | .............. | .............. | .............. | .............. |
| 3. Recorded Investments on Nonaccrual Status | .............. | .............. | .............. | .............. | .............. | .............. | .............. |
| 4. Amount of Interest Income Recognized Using a Cash-Basis Method of Accounting | .............. | .............. | .............. | .............. | .............. | .............. | .............. |
| b. Prior Year | | | | | | | |
| 1. Average Recorded Investment | $ .............. | $ .............. | $ .............. | $ .............. | $ .............. | $ .............. | $ .............. |
| 2. Interest Income Recognized | .............. | .............. | .............. | .............. | .............. | .............. | .............. |
| 3. Recorded Investments on Nonaccrual Status | .............. | .............. | .............. | .............. | .............. | .............. | .............. |
| 4. Amount of Interest Income Recognized Using a Cash-Basis Method of Accounting | .............. | .............. | .............. | .............. | .............. | .............. | .............. |

(7) Allowance for Credit Losses:

| | | Current Year | Prior Year |
|---|---|---|---|
| a. | Balance at beginning of period | $ ____________ | $ ____________ |
| b. | Additions charged to operations | $ ____________ | $ ____________ |
| c. | Direct write-downs charged against the allowances | $ ____________ | $ ____________ |
| d. | Recoveries of amounts previously charged off | $ ____________ | $ ____________ |
| e. | Balance at end of period | $ ____________ | $ ____________ |

(8) Mortgage Loans Derecognized as a Result of Foreclosure:

| | | Current Year |
|---|---|---|
| a. | Aggregate amount of mortgage loans derecognized | $ ____________ |
| b. | Real estate collateral recognized | $ ____________ |
| c. | Other collateral recognized | $ ____________ |
| d. | Receivables recognized from a government guarantee of the foreclosed mortgage loan | $ ____________ |

(9) The company recognizes interest income on its impaired loans upon receipt.

**THIS EXACT FORMAT MUST BE USED IN THE PREPARATION OF THIS NOTE FOR THE TABLE (LINES 1 THROUGH 3) BELOW. REPORTING ENTITIES ARE NOT PRECLUDED FROM PROVIDING CLARIFYING DISCLOSURE BEFORE OR AFTER THIS ILLUSTRATION.**

B. Debt Restructuring

| | | Current Year | Prior Year |
|---|---|---|---|
| (1) | The total recorded investment in restructured loans, as of year end | $ ____________ | $ ____________ |
| (2) | The realized capital losses related to these loans | $ ____________ | $ ____________ |
| (3) | Total contractual commitments to extend credit to debtors owing receivables whose terms have been modified in troubled debt restructurings | $ ____________ | $ ____________ |

(4) The Company accrues interest income on impaired loans to the extent it is deemed collectible (delinquent less than 90 days) and the loan continues to perform under its original or restructured contractual terms. Interest income on non-performing loans is generally recognized on a cash basis.

C. Reverse Mortgages

(1) The company accounts for its investment in reverse mortgages in accordance with *SSAP No. 39—Reverse Mortgages* that requires the individual reverse mortgages to be combined into groups for purposes of providing an actuarially and statistically credible basis for estimating life expectancy to project future cash flows. The Company included actuarial estimates of contract terminations using mortality tables published by the Office of the Actuary of the United States Bureau of Census adjusted for expected prepayments and relocations and changes in the collateral value of the residence.

(2) Reverse mortgage loans are contracts that require the lender to make monthly advances throughout the borrower's life or until the borrower relocates, prepays or sells the home, at which time the loan becomes due and payable. Since the reverse mortgages are non recourse obligations, the loan repayments are generally limited to the sale proceeds of the borrower's residence, and the mortgage balance consists of cash advanced and interest compounded over the life of the loan and a premium that represents a portion of the shared appreciation in the home's value, if any.

(3) At December 31, 20______, the actuarial reserve of $_____ reduced the asset value of the group of reverse mortgages.

(4) The Company recorded an unrealized loss of $______ as a result of the re-estimate of the cash flows.

D. Loan-Backed Securities

(1) Prepayment assumptions for mortgage-backed/loan-backed and structured securities were obtained from broker-dealer survey values or internal estimates.

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

(2)

| | (1)<br>Amortized Cost Basis Before Other-than-Temporary Impairment | (2)<br>Other-than-Temporary Impairment Recognized in Loss | (3)<br>Fair Value 1 – 2 |
|---|---|---|---|
| OTTI recognized 1st Quarter | | | |
| a. Intent to sell | $ ________ | $ ________ | $ ________ |
| b. Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis | $ ________ | $ ________ | $ ________ |
| c. Total 1st Quarter | $ ________ | $ ________ | $ ________ |
| OTTI recognized 2nd Quarter | | | |
| d. Intent to sell | $ ________ | $ ________ | $ ________ |
| e. Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis | $ ________ | $ ________ | $ ________ |
| f. Total 2nd Quarter | $ ________ | $ ________ | $ ________ |
| OTTI recognized 3rd Quarter | | | |
| g. Intent to sell | $ ________ | $ ________ | $ ________ |
| h. Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis | $ ________ | $ ________ | $ ________ |
| i. Total 3rd Quarter | $ ________ | $ ________ | $ ________ |
| OTTI recognized 4th Quarter | | | |
| j. Intent to sell | $ ________ | $ ________ | $ ________ |
| k Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis | $ ________ | $ ________ | $ ________ |
| l. Total 4th Quarter | $ ________ | $ ________ | $ ________ |
| m. Annual Aggregate Total | | $ ________ | |

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

(3)

| 1<br>CUSIP | 2<br>Book/Adjusted Carrying Value Amortized Cost Before Current Period OTTI | 3<br>Present Value of Projected Cash Flows | 4<br>Recognized Other-Than-Temporary Impairment | 5<br>Amortized Cost After Other-Than-Temporary Impairment | 6<br>Fair Value at time of OTTI | 7<br>Date of Financial Statement Where Reported |
|---|---|---|---|---|---|---|
| | | | | | | |
| | | | | | | |
| Total | XXX | XXX | $ | XXX | XXX | XXX |

NOTE: Each CUSIP should be listed separately each time an OTTI is recognized.

For Securities with amortized cost or adjusted amortized cost:

Column 2 minus Column 3 should equal Column 4

Column 2 minus Column 4 should equal Column 5

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

**(NOTE: THIS DOES NOT INCLUDE THE BEGINNING NARRATIVE.)**

(4) All impaired securities (fair value is less than cost or amortized cost) for which an other-than-temporary impairment has not been recognized in earnings as a realized loss (including securities with a recognized other-than-temporary impairment for non-interest related declines when a non-recognized interest related impairment remains):

a. The aggregate amount of unrealized losses:

1. Less than 12 Months $_________
2. 12 Months or Longer $_________

b. The aggregate related fair value of securities with unrealized losses:

1. Less than 12 Months $_________
2. 12 Months or Longer $_________

E. Dollar Repurchase Agreements and/or Securities Lending Transactions

(1) From Lending Activities. For securities lending agreements, the Company requires a minimum of 102% and 105% of the fair value of the domestic and foreign securities loaned at the outset of the contract as collateral. Cash collateral received is invested in short-term investments and the offsetting collateral liability is included in Collateral From Lending Activities. The fair value of the collateral is $XXX.

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

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

(3) Collateral Received

a. Aggregate Amount Collateral Received

| | | | Fair Value |
|---|---|---|---|
| 1. Securities Lending | | | |
| (a) | Open | $ | |
| (b) | 30 Days or Less | | |
| (c) | 31 to 60 Days | | |
| (d) | 61 to 90 Days | | |
| (e) | Greater Than 90 Days | | |
| (f) | Sub-Total | $ | |
| (g) | Securities Received | | |
| (h) | Total Collateral Received | $ | |
| 2. Dollar Repurchase Agreement | | | |
| (a) | Open | $ | |
| (b) | 30 Days or Less | | |
| (c) | 31 to 60 Days | | |
| (d) | 61 to 90 Days | | |
| (e) | Greater Than 90 Days | | |
| (f) | Sub-Total | $ | |
| (g) | Securities Received | | |
| (h) | Total Collateral Received | $ | |

b. The fair value of that collateral and of the portion of that collateral that it has sold or repledged $ ______

c. The reporting entity receives primarily cash collateral in an amount in excess of the fair value of the securities lent. The reporting entity reinvests the cash collateral into higher-yielding securities than the securities which the reporting entity has lent to other entities under the arrangement.

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

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

(5) Collateral Reinvestment

a. Aggregate Amount Cash Collateral Reinvested

| | | | Amortized Cost | | Fair Value |
|---|---|---|---|---|---|
| 1. | Securities Lending | | | | |
| (a) | Open | $ | | $ | |
| (b) | 30 Days or Less | | | | |
| (c) | 31 to 60 Days | | | | |
| (d) | 61 to 90 Days | | | | |
| (e) | 91 to 120 Days | | | | |
| (f) | 121 to 180 Days | | | | |
| (g) | 181 to 365 Days | | | | |
| (h) | 1 to 2 Years | | | | |
| (i) | 2 to 3 Years | | | | |
| (j) | Greater Than 3 Years | | | | |
| (k) | Sub-Total | $ | | $ | |
| (l) | Securities Received | | | | |
| (m) | Total Collateral Reinvested | $ | | $ | |
| 2. | Dollar Repurchase Agreement | | | | |
| (a) | Open | $ | | $ | |
| (b) | 30 Days or Less | | | | |
| (c) | 31 to 60 Days | | | | |
| (d) | 61 to 90 Days | | | | |
| (e) | 91 to 120 Days | | | | |
| (f) | 121 to 180 Days | | | | |
| (g) | 181 to 365 Days | | | | |
| (h) | 1 to 2 Years | | | | |
| (i) | 2 to 3 Years | | | | |
| (j) | Greater Than 3 Years | | | | |
| (k) | Sub-Total | $ | | $ | |
| (l) | Securities Received | | | | |
| (m) | Total Collateral Reinvested | $ | | $ | |

b. The reporting entity's sources of cash that it uses to return the cash collateral is dependent upon the liquidity of the current market conditions. Under current conditions, the reporting entity has $1 billion of par value bonds (fair value of $920 million) that are currently tradable securities that could be sold and used to pay for the $850 million in collateral calls that could come due under a worst-case scenario.

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

(7) Collateral for securities lending transactions that extend beyond one year from the reporting date

| Description of Collateral | Amount |
|---|---|
| ........................................................ | $ .................. |
| ........................................................ | .................. |
| ........................................................ | .................. |
| ........................................................ | .................. |
| ........................................................ | .................. |
| Total Collateral Extending beyond one year of the reporting date | $ .................. |

F. Repurchase Agreements Transactions Accounted for as Secured Borrowing

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

**REPURCHASE TRANSACTION – CASH TAKER – OVERVIEW OF SECURED BORROWING TRANSACTIONS**

(2) Type of Repo Trades Used

| | 1<br>FIRST QUARTER | 2<br>SECOND QUARTER | 3<br>THIRD QUARTER | 4<br>FOURTH QUARTER |
|---|---|---|---|---|
| a. Bilateral (YES/NO) | .................. | .................. | .................. | .................. |
| b. Tri-Party (YES/NO) | .................. | .................. | .................. | .................. |

(3) Original (Flow) & Residual Maturity

| | FIRST QUARTER | | | | SECOND QUARTER | | | |
|---|---|---|---|---|---|---|---|---|
| | 1<br>MINIMUM | 2<br>MAXIMUM | 3<br>AVERAGE DAILY BALANCE | 4<br>ENDING BALANCE | 5<br>MINIMUM | 6<br>MAXIMUM | 7<br>AVERAGE DAILY BALANCE | 8<br>ENDING BALANCE |
| a. Open – No Maturity | .................. | .................. | .................. | .................. | .................. | .................. | .................. | .................. |
| b. Overnight | .................. | .................. | .................. | .................. | .................. | .................. | .................. | .................. |
| c. 2 Days to 1 Week | .................. | .................. | .................. | .................. | .................. | .................. | .................. | .................. |
| d. > 1 Week to 1 Month | .................. | .................. | .................. | .................. | .................. | .................. | .................. | .................. |
| e. > 1 Month to 3 Months | .................. | .................. | .................. | .................. | .................. | .................. | .................. | .................. |
| f. > 3 Months to 1 Year | .................. | .................. | .................. | .................. | .................. | .................. | .................. | .................. |
| g. > 1 Year | .................. | .................. | .................. | .................. | .................. | .................. | .................. | .................. |

| | THIRD QUARTER | | | | FOURTH QUARTER | | | |
|---|---|---|---|---|---|---|---|---|
| | 9<br>MINIMUM | 10<br>MAXIMUM | 11<br>AVERAGE DAILY BALANCE | 12<br>ENDING BALANCE | 13<br>MINIMUM | 14<br>MAXIMUM | 15<br>AVERAGE DAILY BALANCE | 16<br>ENDING BALANCE |
| a. Open – No Maturity | .................. | .................. | .................. | .................. | .................. | .................. | .................. | .................. |
| b. Overnight | .................. | .................. | .................. | .................. | .................. | .................. | .................. | .................. |
| c. 2 Days to 1 Week | .................. | .................. | .................. | .................. | .................. | .................. | .................. | .................. |
| d. > 1 Week to 1 Month | .................. | .................. | .................. | .................. | .................. | .................. | .................. | .................. |
| e. > 1 Month to 3 Months | .................. | .................. | .................. | .................. | .................. | .................. | .................. | .................. |
| f. > 3 Months to 1 Year | .................. | .................. | .................. | .................. | .................. | .................. | .................. | .................. |
| g. > 1 Year | .................. | .................. | .................. | .................. | .................. | .................. | .................. | .................. |

(4) Counterparty, Jurisdiction and Fair Value (FV)

| 1 | 2 | FIRST QUARTER | | | | SECOND QUARTER | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| | Jurisdiction | MINIMUM | MAXIMUM | AVERAGE DAILY BALANCE | ENDING BALANCE | MINIMUM | MAXIMUM | AVERAGE DAILY BALANCE | ENDING BALANCE |
| a. Default (Fair Value of Securities Sold/Outstanding for Which the Repo Agreement Defaulted) | XXX | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... |
| b. Counterparty | | | | | | | | | |
| .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... |
| .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... |
| .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... |
| .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... |

| 1 | 2 | THIRD QUARTER | | | | FOURTH QUARTER | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 |
| | Jurisdiction | MINIMUM | MAXIMUM | AVERAGE DAILY BALANCE | ENDING BALANCE | MINIMUM | MAXIMUM | AVERAGE DAILY BALANCE | ENDING BALANCE |
| a. Default (Fair Value of Securities Sold/Outstanding for Which the Repo Agreement Defaulted) | XXX | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... |
| b. Counterparty* | | | | | | | | | |
| .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... |
| .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... |
| .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... |
| .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... |

* Counterparty and Jurisdiction Column entries used for the amounts for Columns 11 through 18 are the same as used above for Columns 3 through 10.

(5) Securities "Sold" Under Repo – Secured Borrowing

| | FIRST QUARTER | | | | SECOND QUARTER | | | |
|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| | MINIMUM | MAXIMUM | AVERAGE DAILY BALANCE | ENDING BALANCE | MINIMUM | MAXIMUM | AVERAGE DAILY BALANCE | ENDING BALANCE |
| a. BACV | XXX | XXX | XXX | .......... | XXX | XXX | XXX | .......... |
| b. Nonadmitted – Subset of BACV | XXX | XXX | XXX | .......... | XXX | XXX | XXX | .......... |
| c. Fair Value | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... |

| | THIRD QUARTER | | | | FOURTH QUARTER | | | |
|---|---|---|---|---|---|---|---|---|
| | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| | MINIMUM | MAXIMUM | AVERAGE DAILY BALANCE | ENDING BALANCE | MINIMUM | MAXIMUM | AVERAGE DAILY BALANCE | ENDING BALANCE |
| a. BACV | XXX | XXX | XXX | .......... | XXX | XXX | XXX | .......... |
| b. Nonadmitted – Subset of BACV | XXX | XXX | XXX | .......... | XXX | XXX | XXX | .......... |
| c. Fair Value | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... |

(6) Securities Sold Under Repo – Secured Borrowing by NAIC Designation

**ENDING BALANCE**

| | 1<br>NONE | 2<br>NAIC 1 | 3<br>NAIC 2 | 4<br>NAIC 3 | 5<br>NAIC 4 | 6<br>NAIC 5 | 7<br>NAIC 6 | 8<br>NONADMITTED |
|---|---|---|---|---|---|---|---|---|
| a. Bonds – BACV | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... |
| b. Bonds – FV | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... |
| c. LB & SS – BACV | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... |
| d. LB & SS – FV | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... |
| e. Preferred Stock – BACV | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... |
| f. Preferred Stock – FV | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... |
| g. Common Stock | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... |
| h. Mortgage Loans – BACV | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... |
| i. Mortgage Loans – FV | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... |
| j. Real Estate – BACV | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... |
| k. Real Estate – FV | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... |
| l. Derivatives – BACV | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... |
| m. Derivatives – FV | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... |
| n. Other Invested Assets – BACV | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... |
| o. Other Invested Assets – FV | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... |
| p. Total Assets – BACV | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... |
| q. Total Assets – FV | .......... | .......... | .......... | .......... | .......... | .......... | .......... | .......... |

p = a + c + e + g + h + j + l + n     q = b + d + f + g + i + k + m + o

(7) Collateral Received – Secured Borrowing

| | FIRST QUARTER | | | | SECOND QUARTER | | | |
|---|---|---|---|---|---|---|---|---|
| | 1<br>MINIMUM | 2<br>MAXIMUM | 3<br>AVERAGE DAILY BALANCE | 4<br>ENDING BALANCE | 5<br>MINIMUM | 6<br>MAXIMUM | 7<br>AVERAGE DAILY BALANCE | 8<br>ENDING BALANCE |
| a. Cash | ................ | ................ | ................ | ................ | ................ | ................ | ................ | ................ |
| b. Securities (FV) | ................ | ................ | ................ | ................ | ................ | ................ | ................ | ................ |

| | THIRD QUARTER | | | | FOURTH QUARTER | | | |
|---|---|---|---|---|---|---|---|---|
| | 9<br>MINIMUM | 10<br>MAXIMUM | 11<br>AVERAGE DAILY BALANCE | 12<br>ENDING BALANCE | 13<br>MINIMUM | 14<br>MAXIMUM | 15<br>AVERAGE DAILY BALANCE | 16<br>ENDING BALANCE |
| a. Cash | ................ | ................ | ................ | ................ | ................ | ................ | ................ | ................ |
| b. Securities (FV) | ................ | ................ | ................ | ................ | ................ | ................ | ................ | ................ |

(8) Cash & Non-Cash Collateral Received – Secured Borrowing by NAIC Designation

**ENDING BALANCE**

| | 1<br>NONE | 2<br>NAIC 1 | 3<br>NAIC 2 | 4<br>NAIC 3 | 5<br>NAIC 4 | 6<br>NAIC 5 | 7<br>NAIC 6 | 8<br>DOES NOT QUALIFY AS ADMITTED |
|---|---|---|---|---|---|---|---|---|
| a. Cash | ................ | ................ | ................ | ................ | ................ | ................ | ................ | ................ |
| b. Bonds – FV | ................ | ................ | ................ | ................ | ................ | ................ | ................ | ................ |
| c. LB & SS – FV | ................ | ................ | ................ | ................ | ................ | ................ | ................ | ................ |
| d. Preferred Stock – FV | ................ | ................ | ................ | ................ | ................ | ................ | ................ | ................ |
| e. Common Stock | ................ | ................ | ................ | ................ | ................ | ................ | ................ | ................ |
| f. Mortgage Loans – FV | ................ | ................ | ................ | ................ | ................ | ................ | ................ | ................ |
| g. Real Estate – FV | ................ | ................ | ................ | ................ | ................ | ................ | ................ | ................ |
| h. Derivatives – FV | ................ | ................ | ................ | ................ | ................ | ................ | ................ | ................ |
| i. Other Invested Assets – FV | ................ | ................ | ................ | ................ | ................ | ................ | ................ | ................ |
| j. Total Collateral Assets – FV (Sum of a through i) | ................ | ................ | ................ | ................ | ................ | ................ | ................ | ................ |

(9) Allocation of Aggregate Collateral by Remaining Contractual Maturity

| | FAIR VALUE |
|---|---|
| a. Overnight and Continuous | ................ |
| b. 30 Days or Less | ................ |
| c. 31 to 90 Days | ................ |
| d. > 90 Days | ................ |

(10) Allocation of Aggregate Collateral Reinvested by Remaining Contractual Maturity

| | AMORTIZED COST | FAIR VALUE |
|---|---|---|
| a. 30 Days or Less | ................ | ................ |
| b. 31 to 60 Days | ................ | ................ |
| c. 61 to 90 Days | ................ | ................ |
| d. 91 to 120 Days | ................ | ................ |
| e. 121 to 180 Days | ................ | ................ |
| f. 181 to 365 Days | ................ | ................ |
| g. 1 to 2 Years | ................ | ................ |
| h. 2 to 3 Years | ................ | ................ |
| i. > 3 Years | ................ | ................ |

(11) Liability to Return Collateral – Secured Borrowing (Total)

| | FIRST QUARTER | | | | SECOND QUARTER | | | |
|---|---|---|---|---|---|---|---|---|
| | 1<br>MINIMUM | 2<br>MAXIMUM | 3<br>AVERAGE DAILY BALANCE | 4<br>ENDING BALANCE | 5<br>MINIMUM | 6<br>MAXIMUM | 7<br>AVERAGE DAILY BALANCE | 8<br>ENDING BALANCE |
| a. Cash (Collateral – All) | | | | | | | | |
| b. Securities Collateral (FV) | | | | | | | | |

| | THIRD QUARTER | | | | FOURTH QUARTER | | | |
|---|---|---|---|---|---|---|---|---|
| | 9<br>MINIMUM | 10<br>MAXIMUM | 11<br>AVERAGE DAILY BALANCE | 12<br>ENDING BALANCE | 13<br>MINIMUM | 14<br>MAXIMUM | 15<br>AVERAGE DAILY BALANCE | 16<br>ENDING BALANCE |
| a. Cash (Collateral – All) | | | | | | | | |
| b. Securities Collateral (FV) | | | | | | | | |

G. Reverse Repurchase Agreements Transactions Accounted for as Secured Borrowing

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

**REPURCHASE TRANSACTION – CASH PROVIDER – OVERVIEW OF SECURED BORROWING TRANSACTIONS**

(2) Type of Repo Trades Used

| | 1<br>FIRST QUARTER | 2<br>SECOND QUARTER | 3<br>THIRD QUARTER | 4<br>FOURTH QUARTER |
|---|---|---|---|---|
| a. Bilateral (YES/NO) | | | | |
| b. Tri-Party (YES/NO) | | | | |

(3) Original (Flow) & Residual Maturity

| | FIRST QUARTER | | | | SECOND QUARTER | | | |
|---|---|---|---|---|---|---|---|---|
| | 1<br>MINIMUM | 2<br>MAXIMUM | 3<br>AVERAGE DAILY BALANCE | 4<br>ENDING BALANCE | 5<br>MINIMUM | 6<br>MAXIMUM | 7<br>AVERAGE DAILY BALANCE | 8<br>ENDING BALANCE |
| a. Open – No Maturity | | | | | | | | |
| b. Overnight | | | | | | | | |
| c. 2 Days to 1 Week | | | | | | | | |
| d. > 1 Week to 1 Month | | | | | | | | |
| e. > 1 Month to 3 Months | | | | | | | | |
| f. > 3 Months to 1 Year | | | | | | | | |
| g. > 1 Year | | | | | | | | |

| | THIRD QUARTER | | | | FOURTH QUARTER | | | |
|---|---|---|---|---|---|---|---|---|
| | 9<br>MINIMUM | 10<br>MAXIMUM | 11<br>AVERAGE DAILY BALANCE | 12<br>ENDING BALANCE | 13<br>MINIMUM | 14<br>MAXIMUM | 15<br>AVERAGE DAILY BALANCE | 16<br>ENDING BALANCE |
| a. Open – No Maturity | | | | | | | | |
| b. Overnight | | | | | | | | |
| c. 2 Days to 1 Week | | | | | | | | |
| d. > 1 Week to 1 Month | | | | | | | | |
| e. > 1 Month to 3 Months | | | | | | | | |
| f. > 3 Months to 1 Year | | | | | | | | |
| g. > 1 Year | | | | | | | | |

(4) Counterparty, Jurisdiction and Fair Value (FV)

| 1 | 2 | FIRST QUARTER | | | | SECOND QUARTER | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| | Jurisdiction | MINIMUM | MAXIMUM | AVERAGE DAILY BALANCE | ENDING BALANCE | MINIMUM | MAXIMUM | AVERAGE DAILY BALANCE | ENDING BALANCE |
| a. Default (Fair Value of Securities Sold/Outstanding for Which the Repo Agreement Defaulted) | XXX | | | | | | | | |
| b. Counterparty | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |

| 1 | 2 | THIRD QUARTER | | | | FOURTH QUARTER | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 |
| | Jurisdiction | MINIMUM | MAXIMUM | AVERAGE DAILY BALANCE | ENDING BALANCE | MINIMUM | MAXIMUM | AVERAGE DAILY BALANCE | ENDING BALANCE |
| a. Default (Fair Value of Securities Sold/Outstanding for Which the Repo Agreement Defaulted) | XXX | | | | | | | | |
| b. Counterparty* | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |

* Counterparty and Jurisdiction Column entries used for the amounts for Columns 11 through 18 are the same as used above for Columns 3 through 10.

| | FIRST QUARTER | | | | SECOND QUARTER | | | |
|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| | MINIMUM | MAXIMUM | AVERAGE DAILY BALANCE | ENDING BALANCE | MINIMUM | MAXIMUM | AVERAGE DAILY BALANCE | ENDING BALANCE |
| (5) Fair Value of Securities Acquired Under Repo – Secured Borrowing | | | | | | | | |

| | THIRD QUARTER | | | | FOURTH QUARTER | | | |
|---|---|---|---|---|---|---|---|---|
| | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| | MINIMUM | MAXIMUM | AVERAGE DAILY BALANCE | ENDING BALANCE | MINIMUM | MAXIMUM | AVERAGE DAILY BALANCE | ENDING BALANCE |
| (5) Fair Value of Securities Acquired Under Repo – Secured Borrowing | | | | | | | | |

(6) Securities Acquired Under Repo – Secured Borrowing by NAIC Designation

**ENDING BALANCE**

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|---|---|---|---|---|---|---|---|---|
| | NONE | NAIC 1 | NAIC 2 | NAIC 3 | NAIC 4 | NAIC 5 | NAIC 6 | DOES NOT QUALIFY AS ADMITTED |
| a. Bonds – FV | | | | | | | | |
| b. LB & SS – FV | | | | | | | | |
| c. Preferred Stock – FV | | | | | | | | |
| d. Common Stock | | | | | | | | |
| e. Mortgage Loans – FV | | | | | | | | |
| f. Real Estate – FV | | | | | | | | |
| g. Derivatives – FV | | | | | | | | |
| h. Other Invested Assets – FV | | | | | | | | |
| i. Total Assets – FV (Sum of a through h) | | | | | | | | |

(7) Collateral Pledged – Secured Borrowing

| | FIRST QUARTER | | | | SECOND QUARTER | | | |
|---|---|---|---|---|---|---|---|---|
| | 1<br>MINIMUM | 2<br>MAXIMUM | 3<br>AVERAGE DAILY BALANCE | 4<br>ENDING BALANCE | 5<br>MINIMUM | 6<br>MAXIMUM | 7<br>AVERAGE DAILY BALANCE | 8<br>ENDING BALANCE |
| a. Cash | | | | | | | | |
| b. Securities (FV) | | | | | | | | |
| c. Securities (BACV) | XXX | XXX | XXX | | XXX | XXX | XXX | |
| d. Nonadmitted Subset (BACV) | XXX | XXX | XXX | | XXX | XXX | XXX | |

| | THIRD QUARTER | | | | FOURTH QUARTER | | | |
|---|---|---|---|---|---|---|---|---|
| | 9<br>MINIMUM | 10<br>MAXIMUM | 11<br>AVERAGE DAILY BALANCE | 12<br>ENDING BALANCE | 13<br>MINIMUM | 14<br>MAXIMUM | 15<br>AVERAGE DAILY BALANCE | 16<br>ENDING BALANCE |
| a. Cash | | | | | | | | |
| b. Securities (FV) | | | | | | | | |
| c. Securities (BACV) | XXX | XXX | XXX | | XXX | XXX | XXX | |
| d. Nonadmitted Subset (BACV) | XXX | XXX | XXX | | XXX | XXX | XXX | |

(8) Allocation of Aggregate Collateral Pledged by Remaining Contractual Maturity

| | AMORTIZED COST | FAIR VALUE |
|---|---|---|
| a. Overnight and Continuous | | |
| b. 30 Days or Less | | |
| c. 31 to 90 Days | | |
| d. > 90 Days | | |

(9) Recognized Receivable for Return of Collateral – Secured Borrowing

| | FIRST QUARTER | | | | SECOND QUARTER | | | |
|---|---|---|---|---|---|---|---|---|
| | 1<br>MINIMUM | 2<br>MAXIMUM | 3<br>AVERAGE DAILY BALANCE | 4<br>ENDING BALANCE | 5<br>MINIMUM | 6<br>MAXIMUM | 7<br>AVERAGE DAILY BALANCE | 8<br>ENDING BALANCE |
| a. Cash | | | | | | | | |
| b. Securities (FV) | | | | | | | | |

| | THIRD QUARTER | | | | FOURTH QUARTER | | | |
|---|---|---|---|---|---|---|---|---|
| | 9<br>MINIMUM | 10<br>MAXIMUM | 11<br>AVERAGE DAILY BALANCE | 12<br>ENDING BALANCE | 13<br>MINIMUM | 14<br>MAXIMUM | 15<br>AVERAGE DAILY BALANCE | 16<br>ENDING BALANCE |
| a. Cash | | | | | | | | |
| b. Securities (FV) | | | | | | | | |

(10) Recognized Liability to Return Collateral – Secured Borrowing (Total)

| | FIRST QUARTER | | | | SECOND QUARTER | | | |
|---|---|---|---|---|---|---|---|---|
| | 1<br>MINIMUM | 2<br>MAXIMUM | 3<br>AVERAGE DAILY BALANCE | 4<br>ENDING BALANCE | 5<br>MINIMUM | 6<br>MAXIMUM | 7<br>AVERAGE DAILY BALANCE | 8<br>ENDING BALANCE |
| a. Repo Securities Sold/Acquired with Cash Collateral | | | | | | | | |
| b. Repo Securities Sold/Acquired with Securities Collateral (FV) | | | | | | | | |

| | THIRD QUARTER | | | | FOURTH QUARTER | | | |
|---|---|---|---|---|---|---|---|---|
| | 9<br>MINIMUM | 10<br>MAXIMUM | 11<br>AVERAGE DAILY BALANCE | 12<br>ENDING BALANCE | 13<br>MINIMUM | 14<br>MAXIMUM | 15<br>AVERAGE DAILY BALANCE | 16<br>ENDING BALANCE |
| a. Repo Securities Sold/Acquired with Cash Collateral | | | | | | | | |
| b. Repo Securities Sold/Acquired with Securities Collateral (FV) | | | | | | | | |

II. Repurchase Agreements Transactions Accounted for as a Sale

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

### REPURCHASE TRANSACTION – CASH TAKER – OVERVIEW OF SALE TRANSACTIONS

(2) Type of Repo Trades Used

| | 1<br>FIRST QUARTER | 2<br>SECOND QUARTER | 3<br>THIRD QUARTER | 4<br>FOURTH QUARTER |
|---|---|---|---|---|
| a. Bilateral (YES/NO) | .............. | .............. | .............. | .............. |
| b. Tri-Party (YES/NO) | .............. | .............. | .............. | .............. |

(3) Original (Flow) & Residual Maturity

| | FIRST QUARTER | | | | SECOND QUARTER | | | |
|---|---|---|---|---|---|---|---|---|
| | 1<br>MINIMUM | 2<br>MAXIMUM | 3<br>AVERAGE DAILY BALANCE | 4<br>ENDING BALANCE | 5<br>MINIMUM | 6<br>MAXIMUM | 7<br>AVERAGE DAILY BALANCE | 8<br>ENDING BALANCE |
| a. Open – No Maturity | .............. | .............. | .............. | .............. | .............. | .............. | .............. | .............. |
| b. Overnight | .............. | .............. | .............. | .............. | .............. | .............. | .............. | .............. |
| c. 2 Days to 1 Week | .............. | .............. | .............. | .............. | .............. | .............. | .............. | .............. |
| d. > 1 Week to 1 Month | .............. | .............. | .............. | .............. | .............. | .............. | .............. | .............. |
| e. > 1 Month to 3 Months | .............. | .............. | .............. | .............. | .............. | .............. | .............. | .............. |
| f. > 3 Months to 1 Year | .............. | .............. | .............. | .............. | .............. | .............. | .............. | .............. |
| g. > 1 Year | .............. | .............. | .............. | .............. | .............. | .............. | .............. | .............. |

| | THIRD QUARTER | | | | FOURTH QUARTER | | | |
|---|---|---|---|---|---|---|---|---|
| | 9<br>MINIMUM | 10<br>MAXIMUM | 11<br>AVERAGE DAILY BALANCE | 12<br>ENDING BALANCE | 13<br>MINIMUM | 14<br>MAXIMUM | 15<br>AVERAGE DAILY BALANCE | 16<br>ENDING BALANCE |
| a. Open – No Maturity | .............. | .............. | .............. | .............. | .............. | .............. | .............. | .............. |
| b. Overnight | .............. | .............. | .............. | .............. | .............. | .............. | .............. | .............. |
| c. 2 Days to 1 Week | .............. | .............. | .............. | .............. | .............. | .............. | .............. | .............. |
| d. > 1 Week to 1 Month | .............. | .............. | .............. | .............. | .............. | .............. | .............. | .............. |
| e. > 1 Month to 3 Months | .............. | .............. | .............. | .............. | .............. | .............. | .............. | .............. |
| f. > 3 Months to 1 Year | .............. | .............. | .............. | .............. | .............. | .............. | .............. | .............. |
| g. > 1 Year | .............. | .............. | .............. | .............. | .............. | .............. | .............. | .............. |

(4) Counterparty, Jurisdiction and Fair Value (FV)

| 1 | 2<br>Jurisdiction | FIRST QUARTER<br>3<br>MINIMUM | 4<br>MAXIMUM | 5<br>AVERAGE DAILY BALANCE | 6<br>ENDING BALANCE | SECOND QUARTER<br>7<br>MINIMUM | 8<br>MAXIMUM | 9<br>AVERAGE DAILY BALANCE | 10<br>ENDING BALANCE |
|---|---|---|---|---|---|---|---|---|---|
| a. Default (Fair Value of Securities Sold/Outstanding for Which the Repo Agreement Defaulted) | XXX | .............. | .............. | .............. | .............. | .............. | .............. | .............. | .............. |
| b. Counterparty | | | | | | | | | |
| .................... | .......... | .............. | .............. | .............. | .............. | .............. | .............. | .............. | .............. |
| .................... | .......... | .............. | .............. | .............. | .............. | .............. | .............. | .............. | .............. |
| .................... | .......... | .............. | .............. | .............. | .............. | .............. | .............. | .............. | .............. |
| .................... | .......... | .............. | .............. | .............. | .............. | .............. | .............. | .............. | .............. |

| 1 | 2<br>Jurisdiction | THIRD QUARTER<br>11<br>MINIMUM | 12<br>MAXIMUM | 13<br>AVERAGE DAILY BALANCE | 14<br>ENDING BALANCE | FOURTH QUARTER<br>15<br>MINIMUM | 16<br>MAXIMUM | 17<br>AVERAGE DAILY BALANCE | 18<br>ENDING BALANCE |
|---|---|---|---|---|---|---|---|---|---|
| a. Default (Fair Value of Securities Sold/Outstanding for Which the Repo Agreement Defaulted) | XXX | .............. | .............. | .............. | .............. | .............. | .............. | .............. | .............. |
| b. Counterparty* | | | | | | | | | |
| .................... | .......... | .............. | .............. | .............. | .............. | .............. | .............. | .............. | .............. |
| .................... | .......... | .............. | .............. | .............. | .............. | .............. | .............. | .............. | .............. |
| .................... | .......... | .............. | .............. | .............. | .............. | .............. | .............. | .............. | .............. |
| .................... | .......... | .............. | .............. | .............. | .............. | .............. | .............. | .............. | .............. |

* Counterparty and Jurisdiction Column entries used for the amounts for Columns 11 through 18 are the same as used above in Columns 3 through 10.

(5) Securities "Sold" Under Repo – Sale

| | FIRST QUARTER | | | | SECOND QUARTER | | | |
|---|---|---|---|---|---|---|---|---|
| | 1<br>MINIMUM | 2<br>MAXIMUM | 3<br>AVERAGE DAILY BALANCE | 4<br>ENDING BALANCE | 5<br>MINIMUM | 6<br>MAXIMUM | 7<br>AVERAGE DAILY BALANCE | 8<br>ENDING BALANCE |
| a. BACV | XXX | XXX | XXX | .................. | XXX | XXX | XXX | .................. |
| b. Nonadmitted – Subset of BACV | XXX | XXX | XXX | .................. | XXX | XXX | XXX | .................. |
| c. Fair Value | .................. | .................. | .................. | .................. | .................. | .................. | .................. | .................. |

| | THIRD QUARTER | | | | FOURTH QUARTER | | | |
|---|---|---|---|---|---|---|---|---|
| | 9<br>MINIMUM | 10<br>MAXIMUM | 11<br>AVERAGE DAILY BALANCE | 12<br>ENDING BALANCE | 13<br>MINIMUM | 14<br>MAXIMUM | 15<br>AVERAGE DAILY BALANCE | 16<br>ENDING BALANCE |
| a. BACV | XXX | XXX | XXX | .................. | XXX | XXX | XXX | .................. |
| b. Nonadmitted – Subset of BACV | XXX | XXX | XXX | .................. | XXX | XXX | XXX | .................. |
| c. Fair Value | .................. | .................. | .................. | .................. | .................. | .................. | .................. | .................. |

(6) Securities Sold Under Repo – Sale by NAIC Designation

**ENDING BALANCE**

| | 1<br>NONE | 2<br>NAIC 1 | 3<br>NAIC 2 | 4<br>NAIC 3 | 5<br>NAIC 4 | 6<br>NAIC 5 | 7<br>NAIC 6 | 8<br>NONADMITTED |
|---|---|---|---|---|---|---|---|---|
| a. Bonds – BACV | .................. | .................. | .................. | .................. | .................. | .................. | .................. | .................. |
| b. Bonds – FV | .................. | .................. | .................. | .................. | .................. | .................. | .................. | .................. |
| c. LB & SS – BACV | .................. | .................. | .................. | .................. | .................. | .................. | .................. | .................. |
| d. LB & SS – FV | .................. | .................. | .................. | .................. | .................. | .................. | .................. | .................. |
| e. Preferred Stock – BACV | .................. | .................. | .................. | .................. | .................. | .................. | .................. | .................. |
| f. Preferred Stock – FV | .................. | .................. | .................. | .................. | .................. | .................. | .................. | .................. |
| g. Common Stock | .................. | .................. | .................. | .................. | .................. | .................. | .................. | .................. |
| h. Mortgage Loans – BACV | .................. | .................. | .................. | .................. | .................. | .................. | .................. | .................. |
| i. Mortgage Loans – FV | .................. | .................. | .................. | .................. | .................. | .................. | .................. | .................. |
| j. Real Estate – BACV | .................. | .................. | .................. | .................. | .................. | .................. | .................. | .................. |
| k. Real Estate – FV | .................. | .................. | .................. | .................. | .................. | .................. | .................. | .................. |
| l. Derivatives – BACV | .................. | .................. | .................. | .................. | .................. | .................. | .................. | .................. |
| m. Derivatives – FV | .................. | .................. | .................. | .................. | .................. | .................. | .................. | .................. |
| n. Other Invested Assets – BACV | .................. | .................. | .................. | .................. | .................. | .................. | .................. | .................. |
| o. Other Invested Assets – FV | .................. | .................. | .................. | .................. | .................. | .................. | .................. | .................. |
| p. Total Assets – BACV | .................. | .................. | .................. | .................. | .................. | .................. | .................. | .................. |
| q. Total Assets – FV | .................. | .................. | .................. | .................. | .................. | .................. | .................. | .................. |

p=a+c+e+g+h+j+l+n    q=b+d+f+g+i+k+m+o

(7) Proceeds Received – Sale

| | FIRST QUARTER | | | | SECOND QUARTER | | | |
|---|---|---|---|---|---|---|---|---|
| | 1<br>MINIMUM | 2<br>MAXIMUM | 3<br>AVERAGE DAILY BALANCE | 4<br>ENDING BALANCE | 5<br>MINIMUM | 6<br>MAXIMUM | 7<br>AVERAGE DAILY BALANCE | 8<br>ENDING BALANCE |
| a. Cash | .................. | .................. | .................. | .................. | .................. | .................. | .................. | .................. |
| b. Securities (FV) | .................. | .................. | .................. | .................. | .................. | .................. | .................. | .................. |
| c. Nonadmitted | .................. | .................. | .................. | .................. | .................. | .................. | .................. | .................. |

| | THIRD QUARTER | | | | FOURTH QUARTER | | | |
|---|---|---|---|---|---|---|---|---|
| | 9<br>MINIMUM | 10<br>MAXIMUM | 11<br>AVERAGE DAILY BALANCE | 12<br>ENDING BALANCE | 13<br>MINIMUM | 14<br>MAXIMUM | 15<br>AVERAGE DAILY BALANCE | 16<br>ENDING BALANCE |
| a. Cash | .................. | .................. | .................. | .................. | .................. | .................. | .................. | .................. |
| b. Securities (FV) | .................. | .................. | .................. | .................. | .................. | .................. | .................. | .................. |
| c. Nonadmitted | .................. | .................. | .................. | .................. | .................. | .................. | .................. | .................. |

(8) Cash & Non-Cash Collateral Received – Sale by NAIC Designation

ENDING BALANCE

| | 1<br>NONE | 2<br>NAIC 1 | 3<br>NAIC 2 | 4<br>NAIC 3 | 5<br>NAIC 4 | 6<br>NAIC 5 | 7<br>NAIC 6 | 8<br>NONADMITTED |
|---|---|---|---|---|---|---|---|---|
| a. Bonds – FV | | | | | | | | |
| b. LB & SS – FV | | | | | | | | |
| c. Preferred Stock – FV | | | | | | | | |
| d. Common Stock | | | | | | | | |
| e. Mortgage Loans – FV | | | | | | | | |
| f. Real Estate – FV | | | | | | | | |
| g. Derivatives – FV | | | | | | | | |
| h. Other Invested Assets – FV | | | | | | | | |
| i. Total Assets – FV (Sum of a through h) | | | | | | | | |

| | FIRST QUARTER | | | | SECOND QUARTER | | | |
|---|---|---|---|---|---|---|---|---|
| | 1<br>MINIMUM | 2<br>MAXIMUM | 3<br>AVERAGE DAILY BALANCE | 4<br>ENDING BALANCE | 5<br>MINIMUM | 6<br>MAXIMUM | 7<br>AVERAGE DAILY BALANCE | 8<br>ENDING BALANCE |
| (9) Recognized Forward Resale Commitment | | | | | | | | |

| | THIRD QUARTER | | | | FOURTH QUARTER | | | |
|---|---|---|---|---|---|---|---|---|
| | 9<br>MINIMUM | 10<br>MAXIMUM | 11<br>AVERAGE DAILY BALANCE | 12<br>ENDING BALANCE | 13<br>MINIMUM | 14<br>MAXIMUM | 15<br>AVERAGE DAILY BALANCE | 16<br>ENDING BALANCE |
| (9) Recognized Forward Resale Commitment | | | | | | | | |

I. Reverse Repurchase Agreements Transactions Accounted for as a Sale

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

**REPURCHASE TRANSACTION – CASH PROVIDER – OVERVIEW OF SALE TRANSACTIONS**

(2) Type of Repo Trades Used

| | 1<br>FIRST QUARTER | 2<br>SECOND QUARTER | 3<br>THIRD QUARTER | 4<br>FOURTH QUARTER |
|---|---|---|---|---|
| a. Bilateral (YES/NO) | | | | |
| b. Tri-Party (YES/NO) | | | | |

(3) Original (Flow) & Residual Maturity

| | FIRST QUARTER | | | | SECOND QUARTER | | | |
|---|---|---|---|---|---|---|---|---|
| | 1<br>MINIMUM | 2<br>MAXIMUM | 3<br>AVERAGE DAILY BALANCE | 4<br>ENDING BALANCE | 5<br>MINIMUM | 6<br>MAXIMUM | 7<br>AVERAGE DAILY BALANCE | 8<br>ENDING BALANCE |
| a. Open – No Maturity | | | | | | | | |
| b. Overnight | | | | | | | | |
| c. 2 Days to 1 Week | | | | | | | | |
| d. > 1 Week to 1 Month | | | | | | | | |
| e. > 1 Month to 3 Months | | | | | | | | |
| f. > 3 Months to 1 Year | | | | | | | | |
| g. > 1 Year | | | | | | | | |

| | THIRD QUARTER | | | | FOURTH QUARTER | | | |
|---|---|---|---|---|---|---|---|---|
| | 9<br>MINIMUM | 10<br>MAXIMUM | 11<br>AVERAGE DAILY BALANCE | 12<br>ENDING BALANCE | 13<br>MINIMUM | 14<br>MAXIMUM | 15<br>AVERAGE DAILY BALANCE | 16<br>ENDING BALANCE |
| a. Open – No Maturity | | | | | | | | |
| b. Overnight | | | | | | | | |
| c. 2 Days to 1 Week | | | | | | | | |
| d. > 1 Week to 1 Month | | | | | | | | |
| e. > 1 Month to 3 Months | | | | | | | | |
| f. > 3 Months to 1 Year | | | | | | | | |
| g. > 1 Year | | | | | | | | |

(4) Counterparty, Jurisdiction and Fair Value (FV)

| 1 | 2 | FIRST QUARTER | | | | SECOND QUARTER | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| | Jurisdiction | MINIMUM | MAXIMUM | AVERAGE DAILY BALANCE | ENDING BALANCE | MINIMUM | MAXIMUM | AVERAGE DAILY BALANCE | ENDING BALANCE |
| a. Default (Fair Value of Securities Sold/Outstanding for Which the Repo Agreement Defaulted) | XXX | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| b. Counterparty | | | | | | | | | |
| ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ |

| 1 | 2 | THIRD QUARTER | | | | FOURTH QUARTER | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 |
| | Jurisdiction | MINIMUM | MAXIMUM | AVERAGE DAILY BALANCE | ENDING BALANCE | MINIMUM | MAXIMUM | AVERAGE DAILY BALANCE | ENDING BALANCE |
| a. Default (Fair Value of Securities Sold/Outstanding for Which the Repo Agreement Defaulted) | XXX | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| b. Counterparty* | | | | | | | | | |
| ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ |

* Counterparty and Jurisdiction Column entries used for the amounts for Columns 11 through 18 are the same as used above for Columns 3 through 10.

(5) Securities Acquired Under Repo – Sale

| | FIRST QUARTER | | | | SECOND QUARTER | | | |
|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| | MINIMUM | MAXIMUM | AVERAGE DAILY BALANCE | ENDING BALANCE | MINIMUM | MAXIMUM | AVERAGE DAILY BALANCE | ENDING BALANCE |
| a. BACV | XXX | XXX | XXX | ........ | XXX | XXX | XXX | ........ |
| b. Nonadmitted – Subset of BACV | XXX | XXX | XXX | ........ | XXX | XXX | XXX | ........ |
| c. Fair Value | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ |

| | THIRD QUARTER | | | | FOURTH QUARTER | | | |
|---|---|---|---|---|---|---|---|---|
| | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| | MINIMUM | MAXIMUM | AVERAGE DAILY BALANCE | ENDING BALANCE | MINIMUM | MAXIMUM | AVERAGE DAILY BALANCE | ENDING BALANCE |
| a. BACV | XXX | XXX | XXX | ........ | XXX | XXX | XXX | ........ |
| b. Nonadmitted – Subset of BACV | XXX | XXX | XXX | ........ | XXX | XXX | XXX | ........ |
| c. Fair Value | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ |

(6) Securities Acquired Under Repo – Sale by NAIC Designation

ENDING BALANCE

| | 1<br>NONE | 2<br>NAIC 1 | 3<br>NAIC 2 | 4<br>NAIC 3 | 5<br>NAIC 4 | 6<br>NAIC 5 | 7<br>NAIC 6 | 8<br>NONADMITTED |
|---|---|---|---|---|---|---|---|---|
| a. Bonds – BACV | | | | | | | | |
| b. Bonds – FV | | | | | | | | |
| c. LB & SS – BACV | | | | | | | | |
| d. LB & SS – FV | | | | | | | | |
| e. Preferred Stock – BACV | | | | | | | | |
| f. Preferred Stock – FV | | | | | | | | |
| g. Common Stock | | | | | | | | |
| h. Mortgage Loans – BACV | | | | | | | | |
| i. Mortgage Loans – FV | | | | | | | | |
| j. Real Estate – BACV | | | | | | | | |
| k. Real Estate – FV | | | | | | | | |
| l. Derivatives – BACV | | | | | | | | |
| m. Derivatives – FV | | | | | | | | |
| n. Other Invested Assets – BACV | | | | | | | | |
| o. Other Invested Assets – FV | | | | | | | | |
| p. Total Assets – BACV | | | | | | | | |
| q. Total Assets – FV | | | | | | | | |

p=a+c+e+g+h+j+l+n  q=b+d+f+g+i+k+m+o

(7) Proceeds Provided – Sale

| | FIRST QUARTER | | | | SECOND QUARTER | | | |
|---|---|---|---|---|---|---|---|---|
| | 1<br>MINIMUM | 2<br>MAXIMUM | 3<br>AVERAGE DAILY BALANCE | 4<br>ENDING BALANCE | 5<br>MINIMUM | 6<br>MAXIMUM | 7<br>AVERAGE DAILY BALANCE | 8<br>ENDING BALANCE |
| a. Cash | | | | | | | | |
| b. Securities (FV) | | | | | | | | |
| c. Securities (BACV) | XXX | XXX | XXX | | XXX | XXX | XXX | |
| d. Nonadmitted Subset | XXX | XXX | XXX | | XXX | XXX | XXX | |

| | THIRD QUARTER | | | | FOURTH QUARTER | | | |
|---|---|---|---|---|---|---|---|---|
| | 9<br>MINIMUM | 10<br>MAXIMUM | 11<br>AVERAGE DAILY BALANCE | 12<br>ENDING BALANCE | 13<br>MINIMUM | 14<br>MAXIMUM | 15<br>AVERAGE DAILY BALANCE | 16<br>ENDING BALANCE |
| a. Cash | | | | | | | | |
| b. Securities (FV) | | | | | | | | |
| c. Securities (BACV) | XXX | XXX | XXX | | XXX | XXX | XXX | |
| d. Nonadmitted Subset | XXX | XXX | XXX | | XXX | XXX | XXX | |

| | FIRST QUARTER | | | | SECOND QUARTER | | | |
|---|---|---|---|---|---|---|---|---|
| | 1<br>MINIMUM | 2<br>MAXIMUM | 3<br>AVERAGE DAILY BALANCE | 4<br>ENDING BALANCE | 5<br>MINIMUM | 6<br>MAXIMUM | 7<br>AVERAGE DAILY BALANCE | 8<br>ENDING BALANCE |
| (8) Recognized Forward Resale Commitment | | | | | | | | |

| | THIRD QUARTER | | | | FOURTH QUARTER | | | |
|---|---|---|---|---|---|---|---|---|
| | 9<br>MINIMUM | 10<br>MAXIMUM | 11<br>AVERAGE DAILY BALANCE | 12<br>ENDING BALANCE | 13<br>MINIMUM | 14<br>MAXIMUM | 15<br>AVERAGE DAILY BALANCE | 16<br>ENDING BALANCE |
| (8) Recognized Forward Resale Commitment | | | | | | | | |

L. Restricted Assets

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

(1) Restricted Assets (Including Pledged)

| Restricted Asset Category | 1<br>Total Gross (Admitted & Nonadmitted) Restricted from Current Year | 2<br>Total Gross (Admitted & Nonadmitted) Restricted From Prior Year | 3<br>Increase/ (Decrease) (1 minus 2) | 4<br>Total Current Year Nonadmitted Restricted | 5<br>Total Current Year Admitted Restricted (1 minus 4) | 6<br>Gross (Admitted & Nonadmitted) Restricted to Total Assets (a) | 7<br>Admitted Restricted to Total Admitted Assets (b) |
|---|---|---|---|---|---|---|---|
| a. Subject to contractual obligation for which liability is not shown | $ .......... | $ .......... | $ .......... | $ .......... | $ .......... | .......% | .......% |
| b. Collateral held under security lending agreements | .......... | .......... | .......... | .......... | .......... | ....... | ....... |
| c. Subject to repurchase agreements | .......... | .......... | .......... | .......... | .......... | ....... | ....... |
| d. Subject to reverse repurchase agreements | .......... | .......... | .......... | .......... | .......... | ....... | ....... |
| e. Subject to dollar repurchase agreements | .......... | .......... | .......... | .......... | .......... | ....... | ....... |
| f. Subject to dollar reverse repurchase agreements | .......... | .......... | .......... | .......... | .......... | ....... | ....... |
| g. Placed under option contracts | .......... | .......... | .......... | .......... | .......... | ....... | ....... |
| h. Letter stock or securities restricted as to sale – excluding FHLB capital stock | .......... | .......... | .......... | .......... | .......... | ....... | ....... |
| i. FHLB capital stock | .......... | .......... | .......... | .......... | .......... | ....... | ....... |
| j. On deposit with states | .......... | .......... | .......... | .......... | .......... | ....... | ....... |
| k. On deposit with other regulatory bodies | .......... | .......... | .......... | .......... | .......... | ....... | ....... |
| l. Pledged as collateral to FHLB (including assets backing funding agreements) | .......... | .......... | .......... | .......... | .......... | ....... | ....... |
| m. Pledged as collateral not captured in other categories | .......... | .......... | .......... | .......... | .......... | ....... | ....... |
| n. Other restricted assets | .......... | .......... | .......... | .......... | .......... | ....... | ....... |
| o. Total Restricted Assets | $ .......... | $ .......... | $ .......... | $ .......... | $ .......... | .......% | .......% |

(a) Column 1 divided by Asset Page, Column 1, Line 28
(b) Column 5 divided by Asset Page, Column 3, Line 28

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

(2) Detail of Assets Pledged as Collateral Not Captured in Other Categories (Contracts that Share Similar Characteristics, Such as Reinsurance and Derivatives, Are Reported in the Aggregate)

| Description of Assets | 1<br>Total Gross (Admitted & Nonadmitted) Restricted from Current Year | 2<br>Total Gross (Admitted & Nonadmitted) Restricted From Prior Year | 3<br>Increase/ (Decrease) (1 minus 2) | 4<br>Total Current Year Admitted Restricted | 5<br>Gross (Admitted & Nonadmitted) Restricted to Total Assets) | 6<br>Admitted Restricted to Total Admitted Assets |
|---|---|---|---|---|---|---|
| .................................... | $ .......... | $ .......... | $ .......... | $ .......... | .......% | .......% |
| .................................... | .......... | .......... | .......... | .......... | ....... | ....... |
| .................................... | .......... | .......... | .......... | .......... | ....... | ....... |
| Total (a) | $ .......... | $ .......... | $ .......... | $ .......... | .......% | .......% |

(a) Total Line for Columns 1 through 3 should equal 5L(1)m Columns 1 through 3 respectively and Total Line for Column 4 should equal 5L(1)m Column 5

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

(3) Detail of Other Restricted Assets (Contracts that Share Similar Characteristics, Such as Reinsurance and Derivatives, Are Reported in the Aggregate)

| Description of Assets | 1<br>Total Gross (Admitted & Nonadmitted) Restricted from Current Year | 2<br>Total Gross (Admitted & Nonadmitted) Restricted From Prior Year | 3<br>Increase/ (Decrease) (1 minus 2) | 4<br>Total Current Year Admitted Restricted | 5<br>Gross (Admitted & Nonadmitted) Restricted to Total Assets | 6<br>Admitted Restricted to Total Admitted Assets |
|---|---|---|---|---|---|---|
| .................................... | $ ............ | $ ............ | $ ............ | $ ............ | ........% | ........% |
| .................................... | ............ | ............ | ............ | ............ | ........ | ........ |
| .................................... | ............ | ............ | ............ | ............ | ........ | ........ |
| Total (a) | $ ............ | $ ............ | $ ............ | $ ............ | ........% | ........% |

(a) Total Line for Columns 1 through 3 should equal 5L(1)a Columns 1 through 3 respectively and Total Line for Column 4should equal 5L(1)a Column 5

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

(4) Collateral Received and Reflected as Assets Within the Reporting Entity's Financial Statements

| Collateral Assets | 1<br>Book/Adjusted Carrying Value (BACV) | 2<br>Fair Value | 3<br>% of BACV to Total Assets (Admitted and Nonadmitted) * | 4<br>% of BACV to Total Admitted Assets ** |
|---|---|---|---|---|
| a. Cash, Cash Equivalents and Short-Term Investments | $ ..................... | $ ..................... | ............... % | ............... % |
| b. Schedule D, Part 1 | ..................... | ..................... | ............... % | ............... % |
| c. Schedule D, Part 2, Section 1 | ..................... | ..................... | ............... % | ............... % |
| d. Schedule D, Part 2, Section 2 | ..................... | ..................... | ............... % | ............... % |
| e. Schedule B | ..................... | ..................... | ............... % | ............... % |
| f. Schedule A | ..................... | ..................... | ............... % | ............... % |
| g. Schedule BA, Part 1 | ..................... | ..................... | ............... % | ............... % |
| h. Schedule DL, Part 1 | ..................... | ..................... | ............... % | ............... % |
| i. Other | | | % | % |
| j. Total Collateral Assets (a+b+c+d+e+f+g+h+i) | $ | $ | % | % |

* Column 1 divided by Asset Page, Line 26 (Column 1)
** Column 1 divided by Asset Page, Line 26 (Column 3)

| | 1<br>Amount | 2<br>% of Liability to Total Liabilities * |
|---|---|---|
| k. Recognized Obligation to Return Collateral Asset | $ ..................... | ...................% |

* Column 1 divided by Liability Page, Line 23 (Column 1)

M. Working Capital Finance Investments

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

(1) Aggregate Working Capital Finance Investments (WCFI) Book/Adjusted Carrying Value by NAIC Designation:

| | Gross Asset CY | Non-admitted Asset CY | Net Admitted Asset CY |
|---|---|---|---|
| a. WCFI Designation 1 | $ ........................ | $ ........................ | $ ........................ |
| b. WCFI Designation 2 | ........................ | ........................ | ........................ |
| c. WCFI Designation 3 | ........................ | ........................ | ........................ |
| d. WCFI Designation 4 | ........................ | ........................ | ........................ |
| e. WCFI Designation 5 | ........................ | ........................ | ........................ |
| f. WCFI Designation 6 | ........................ | ........................ | ........................ |
| g. Total | $ ........................ | $ ........................ | $ ........................ |

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

(2) Aggregate Maturity Distribution on the Underlying Working Capital Finance Programs:

| | Book/Adjusted Carrying Value |
|---|---|
| a. Up to 180 Days | |
| b. 181 Days to 365 Days | |
| c. Total | $ |

N. Offsetting and Netting of Assets and Liabilities

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

| | Gross Amount Recognized | Amount Offset* | Net Amount Presented on Financial Statements |
|---|---|---|---|
| (1) Assets | | | |
| ........................................ | $ ...................... | $ ...................... | $ ...................... |
| ........................................ | ...................... | ...................... | ...................... |
| ........................................ | ...................... | ...................... | ...................... |
| ........................................ | ...................... | ...................... | ...................... |
| ........................................ | ...................... | ...................... | ...................... |
| (2) Liabilities | | | |
| ........................................ | $ ...................... | $ ...................... | $ ...................... |
| ........................................ | ...................... | ...................... | ...................... |
| ........................................ | ...................... | ...................... | ...................... |
| ........................................ | ...................... | ...................... | ...................... |
| ........................................ | ...................... | ...................... | ...................... |

* For derivative assets and derivative liabilities, the amount offset shall agree to Schedule DB, Part D, Section 1.

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

O. Structured Notes

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

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

P. 5* Securities

| Investment | Number of 5* Securities | | Aggregate BACV | | Aggregate Fair Value | |
|---|---|---|---|---|---|---|
| | Current Year | Prior Year | Current Year | Prior Year | Current Year | Prior Year |
| (1) Bonds – AC | ................ | ................ | $ ................ | ................ | $ ................ | $ ................ |
| (2) Bonds – FV | ................ | ................ | ................ | ................ | ................ | ................ |
| (3) LB&SS – AC | ................ | ................ | ................ | ................ | ................ | ................ |
| (4) LB&SS – FV | ................ | ................ | ................ | ................ | ................ | ................ |
| (5) Preferred Stock – AC | ................ | ................ | ................ | ................ | ................ | ................ |
| (6) Preferred Stock – FV | | | | | | |
| (7) Total (1+2+3+4+5+6) | | | | $ | $ | $ |

AC – Amortized Cost FV – Fair Value

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

Q. Short Sales

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

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

(2) Settled Short Sale Transactions

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

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

R. Prepayment Penalty and Acceleration Fees

| | | General Account |
|---|---|---|
| (1) | Number of CUSIPs | ________ |
| (2) | Aggregate Amount of Investment Income | ________ |

**6. Joint Ventures, Partnerships and Limited Liability Companies**

Instruction:

A. For Investments in Joint Ventures, Partnerships and Limited Liability Companies that exceed 10% of the admitted assets of the reporting entity, disclose the following information:

- The name of each Joint Venture, Partnership and Limited Liability Company and percentage of ownership;
- The accounting policies of the reporting entity with respect to investments in these entities; and
- The difference, if any, between the amount at which the investment is carried and the amount of underlying equity in net assets, (i.e., nonadmitted goodwill, other nonadmitted assets) and the accounting treatment of the difference.
- For each Joint Venture, Partnership and Limited Liability Company for which a quoted market price is available, the aggregate value of each investment based on the quoted market price; and
- Summarized information as to assets, liabilities, and results of operations for Joint Ventures, Partnerships and Limited Liability Companies, either individually or in groups.

B. For investments in impaired Joint Ventures, Partnerships and Limited Liability Companies disclose in the year of an impairment write-down the following:

- A description of the impaired assets and the facts and circumstances leading to the impairment, and
- The amount of the impairment and how fair value was determined.

Illustration:

A. The Company has no investments in Joint Ventures, Partnerships or Limited Liability Companies that exceed 10% of its admitted assets.

B. The Company did not recognize any impairment write down for its investments in Joint Ventures, Partnerships and Limited Liability Companies during the statement periods.

**7. Investment Income**

Instruction:

Disclose the following for investment income due and accrued in the financial statements:

A. The bases, by category of investment income, for excluding (nonadmitting) any investment income due and accrued,

B. The total amount excluded.

Illustration:

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

All investment income due and accrued with amounts that are over 90 days past due with the exception of mortgage loans in default.

B. The total amount excluded was $__________.

**8. Derivative Instruments**

Instruction:

Disclose the following information by category of derivative financial instrument:

A. A discussion of the market risk, credit risk and cash requirements of the derivative.

B. A description of the reporting entity's objectives for using derivatives, i.e., hedging, income generation or replication, as well as a description of the context needed to understand those objectives, and its strategies for achieving those objectives, including the identification of the category, e.g. fair value hedges, cash flow hedges, or foreign currency hedges, and for all objectives, the type of instrument(s) used.

C. A description of the accounting policies for recognizing (or reasons for not recognizing) and measuring the derivatives used, and when recognized and where those instruments and related gains and losses are reported.

D. Identification of whether the reporting entity has derivative contracts with financing premiums. (For purposes of this item, this includes scenarios in which the premium cost is paid at the end of the derivative contract or throughout the derivative contract.)

E. The net gain or loss recognized in unrealized gains or losses during the reporting period representing the component of the derivative instruments' gain or loss, if any, excluded from the assessment of hedge effectiveness.

F. The net gain or loss recognized in unrealized gains or losses during the reporting period resulting from derivatives that no longer qualify for hedge accounting.

G. For derivatives accounted for as cash flow hedges of a forecasted transaction, disclose:

(1) The maximum length of time over which the entity is hedging its exposure to the variability in future cash flows for forecasted transactions excluding those forecasted transactions related to the payment of variable interest on existing financial instruments; and

(2) The amount of gains and losses classified in unrealized gains/losses related to cash flow hedges that have been discontinued because it was no longer probable that the original forecasted transactions would occur by the end of the originally specified time period or within 2 months of that date.

II. Disclose the aggregate, non-discounted total premium cost for these contracts and the premium cost due in each of the following four years, and thereafter. Include the aggregate fair value of derivative instruments with financing premiums excluding the impact of the deferred or financing premiums.

Illustration:

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

II.

(1)

| | Fiscal Year | Derivative Premium Payments Due |
|---|---|---|
| a. | 2018 | $ ................................ |
| b. | 2019 | ................................ |
| c. | 2020 | ................................ |
| d. | 2021 | ................................ |
| e. | Thereafter | ................................ |
| f. | Total Future Settled Premiums | $ ................................ |

(2)

| | | Undiscounted Future Premium Commitments | Derivative Fair Value With Premium Commitments (Reported on DB) | Derivative Fair Value Excluding Impact of Future Settled Premiums |
|---|---|---|---|---|
| a. | Prior Year | $ ...................... | $ ...................... | $ ...................... |
| b. | Current Year | $ ...................... | $ ...................... | $ ...................... |

## 9. Income Taxes

Instruction:

A. Disclose the components of the net deferred income tax asset (DTA) or deferred tax liability (DTL) recognized in the reporting entity's financial statements as follows:

(1) Disclose for the current year, the prior year and the change between years by tax character (ordinary and capital) the following:

a. The total of all gross deferred tax assets.

b. The total of all statutory valuation allowance adjustments.

c. The total of all adjusted gross deferred tax assets.

d. The total of all deferred tax assets nonadmitted as the result of the application of *SSAP No. 101—Income Taxes*.

e. The total of all net adjusted gross admitted deferred tax assets.

f. The total of all deferred tax liabilities.

g. The total of all net adjusted gross deferred tax assets (net deferred tax liabilities).

(2) Admission Calculation Components per *SSAP No. 101—Income Taxes*

For the current year, prior year and the change between years, disclose the amount of each result or component of the deferred tax asset admission calculation as provided in *SSAP No. 101—Income Taxes*.

a. The amount of federal income taxes paid in prior years that can be recovered through loss carrybacks, by tax character (ordinary and capital).

b. The amount of adjusted gross DTAs expected to be realized (excluding the amount of DTAs reported in 9A(2)a) after application of the threshold limitations, by tax character (ordinary and capital). (The amount determined in 9A(2)b1 limited by the amount determined in 9A(2)b2.)

1. The amount of adjusted gross DTAs, expected to be realized within the applicable period following the balance sheet date, by tax character (ordinary and capital). Refer to the applicable Realization Threshold Limitation Table in *SSAP No. 101—Income Taxes* to determine the applicable period.

2. The amount of the applicable percentage of statutory capital and surplus as required to be shown on the statutory balance sheet of the reporting entity for the current reporting period's statement filed with the domiciliary state commissioner adjusted to exclude any net DTAs, EDP equipment and operating system software and any net positive goodwill. Refer to *SSAP No. 101—Income Taxes* to determine the applicable percentage to be applied.

c. The amount of adjusted gross DTAs (excluding the amount of DTAs reported in 9A(2)a and 9A(2)b) that can be offset against existing gross DTLs, by tax character (ordinary and capital).

d. The amount of DTAs admitted as the result of the application of *SSAP No. 101—Income Taxes* by tax character (ordinary and capital). (The sum of 9A(2)a, 9A(2)b and 9A(2)c.)

(3) Disclose the ratio used to determine applicable period used in 9A(2)b1 for determining the amount of adjusted gross DTAs, expected to be realized and the amount of adjusted capital and surplus used to determine the percentage threshold limitation in 9A(2)b2.

(4) Disclose the impact of tax-planning strategies:

a. On the determination of adjusted gross deferred tax assets and net admitted deferred tax assets, by tax character as a percentage of total. The disclosure should provide the following information for current year, prior year and change between years:

1. Adjusted gross DTAs by tax character Note 9A(1)c.

2. Percentage of adjusted gross DTAs by tax character attributable to the impact of tax planning strategies.

3. Net admitted adjusted gross DTAs by tax character Note 9A(1)e.

4. Percentage of net admitted adjusted gross DTAs by tax character admitted because of the impact of tax planning strategies.

b. State whether the tax-planning strategies include the use of reinsurance related tax-planning strategies.

Refer to *SSAP No. 101—Income Taxes*, Exhibit A – Implementation Questions and Answers, Question No. 13, for guidance on tax-planning strategies.

B. To the extent that DTLs are not recognized for amounts described in paragraph 31 of FAS 109, disclose the following:

(1) A description of the types of temporary differences for which a DTL has not been recognized and the types of events that would cause those temporary differences to become taxable;

(2) The cumulative amount of each type of temporary difference;

(3) The amount of the unrecognized DTL for temporary differences related to investments in foreign subsidiaries and foreign corporate joint ventures that are essentially permanent in duration, if determination of that liability is practicable, or a statement that determination is not practicable; and

(4) The amount of the DTL for temporary differences other than those in item (3) above that is not recognized.

C. Disclose the significant components of income taxes incurred (i.e., current income tax expenses) and the changes in DTAs and DTLs. These components would include, for example:

- Current tax expense or benefit;
- The change in DTAs and DTLs (exclusive of the effects of other components listed below);
- Investment tax credits;
- The benefits of operating loss carry forwards;
- Adjustments of a DTA or DTL for enacted changes in tax laws or rates or a change in the tax status of the reporting entity; and
- Adjustments to gross deferred tax assets because of a change in circumstances that causes a change in judgment about the realizability of the related deferred tax asset, and the reason for the adjustment and change in judgment.

NOTE: The illustration below for this disclosure reflects the setup for the data capture of the electronic notes. Reporting entities should disclose those items included as "Other" (Lines 2a13, 2e4, 3a5 and 3b3) as additional lines for those items greater than 5% in the printed/PDF filing document.

D. To the extent that the sum of a reporting entity's income tax incurred and the change in its DTAs and DTLs is different from the result obtained by applying the federal statutory rate to its pretax net income, a reporting entity should disclose the nature of the significant reconciling items.

E. A reporting entity should also disclose the following:

(1) The amounts, origination dates and expiration dates of operating loss and tax credit carry forwards available for tax purposes;

(2) The amount of federal income taxes incurred in the current year and each preceding year that are available for recoupment in the event of future net losses; and

(3) The aggregate amount of deposits admitted under Section 6603 of the Internal Revenue Service Code.

F. If the reporting entity's federal income tax return is consolidated with those of any other entity or entities, provide the following:

(1) A list of names of the entities with which the reporting entity's federal income tax return is consolidated for the current year, and

(2) The substance of the written agreement approved by the reporting entity's Board of Directors that sets forth the manner in which the total consolidated federal income tax for all entities is allocated to each entity that is a party to the consolidation. (If no written agreement has been executed, explain why such an agreement has not been executed.) Describe the method of allocation, setting forth the manner in which the entity has an enforceable right to recoup federal income taxes in the event of future net losses that it may incur or to recoup its net losses carried forward as an offset to future net income subject to federal income taxes.

G. For any federal or foreign income tax loss contingencies as determined in accordance with *SSAP No. 5R—Liabilities, Contingencies and Impairments of Assets* with the modifications provided in *SSAP No. 101—Income Taxes* for which it is reasonably possible that the total liability will significantly increase within 12 months of the reporting date, the reporting entity shall disclose an estimate of the range of the reasonably possible increase or a statement that an estimate of the range cannot be made.

Refer to *SSAP No. 101—Income Taxes* for accounting guidance on disclosure requirements, and INT 06-12 for more detail on protective tax deposits.

Illustration:

**THIS EXACT FORMAT MUST BE USED IN THE PREPARATION OF THIS NOTE FOR THE TABLES (9A1, 9A2, 9A3 AND 9A4) BELOW. REPORTING ENTITIES ARE NOT PRECLUDED FROM PROVIDING CLARIFYING DISCLOSURE BEFORE OR AFTER THIS ILLUSTRATION.**

**NOTE: DUE TO THE SIZE OF THIS TABLE, REPORTING ENTITIES MAY BE LIMITED IN THEIR ABILITY TO PRESENT THIS DISCLOSURE IN THE EXACT FORMAT SHOWN DUE TO FONT LIMITATIONS AND THE SIZE OF THE AMOUNTS BEING DISCLOSED. IT WILL BE CONSIDERED ACCEPTABLE AND IN COMPLIANCE WITH THE INSTRUCTIONS IF THIS TABLE IS SPLIT INTO THREE SEPARATE TABLES (CURRENT YEAR COLUMNS, PRIOR YEAR COLUMNS AND CHANGE COLUMNS).**

A. The components of the net deferred tax asset/(liability) at December 31 are as follows:

1.

| | | 12/31/2018 | | | 12/31/2017 | | | Change | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
| | | Ordinary | Capital | (Col 1+2) Total | Ordinary | Capital | (Col 4+5) Total | (Col 1–4) Ordinary | (Col 2–5) Capital | (Col 7+8) Total |
| (a) | Gross Deferred Tax Assets | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| (b) | Statutory Valuation Allowance Adjustments | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| (c) | Adjusted Gross Deferred Tax Assets (1a – 1b) | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| (d) | Deferred Tax Assets Nonadmitted | | | | | | | | | |
| (e) | Subtotal Net Admitted Deferred Tax Asset (1c – 1d) | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| (f) | Deferred Tax Liabilities | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| (g) | Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e – 1f) | $ | $ | $ | $ | $ | $ | $ | $ | $ |

2.

| | | 12/31/2018 | | | 12/31/2017 | | | Change | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
| | | Ordinary | Capital | (Col 1+2) Total | Ordinary | Capital | (Col 4+5) Total | (Col 1–4) Ordinary | (Col 2–5) Capital | (Col 7+8) Total |
| | Admission Calculation Components SSAP No. 101 | | | | | | | | | |
| (a) | Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks. | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| (b) | Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation. (The Lesser of 2(b)1 and 2(b)2 Below) | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| | 1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date. | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| | 2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold. | XXX | XXX | $ | XXX | XXX | $ | XXX | XXX | $ |
| (c) | Adjusted Gross Deferred Tax Assets (Excluding The Amount Of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities. | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| (d) | Deferred Tax Assets Admitted as the result of application of SSAP No. 101. Total (2(a) + 2(b) + 2(c)) | $ | $ | $ | $ | $ | $ | $ | $ | $ |

| 3. | | 2018 | 2017 |
|---|---|---|---|
| (a) | Ratio Percentage Used To Determine Recovery Period And Threshold Limitation Amount. | _____ | _____ |
| (b) | Amount Of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limitation In 2(b)2 Above. | $ _____ | $ _____ |

| 4. | 12/31/2018 | | 12/31/2017 | | Change | |
|---|---|---|---|---|---|---|
| | (1) | (2) | (3) | (4) | (5) | (6) |
| | Ordinary | Capital | Ordinary | Capital | (Col 1-3) Ordinary | (Col 2-4) Capital |
| Impact of Tax-Planning Strategies | | | | | | |
| (a) Determination Of Adjusted Gross Deferred Tax Assets And Net Admitted Deferred Tax Assets, By Tax Character As A Percentage. | | | | | | |
| 1. Adjusted Gross DTAs Amount From Note 9A1(c) | _____ | _____ | _____ | _____ | _____ | _____ |
| 2. Percentage Of Adjusted Gross DTAs By Tax Character Attributable To The Impact Of Tax Planning Strategies | _____ | _____ | _____ | _____ | _____ | _____ |
| 3. Net Admitted Adjusted Gross DTAs Amount From Note 9A1(e) | _____ | _____ | _____ | _____ | _____ | _____ |
| 4. Percentage Of Net Admitted Adjusted Gross DTAs By Tax Character Admitted Because Of The Impact Of Tax Planning Strategies | _____ | _____ | _____ | _____ | _____ | _____ |

(b) Does the Company's tax-planning strategies include the use of reinsurance? Yes _____ No _____

Line 9A1g, Column 3

If greater than zero, it should equal the Asset Page, Line 18.2, Column 3 and the Liability Page, Line 8.2, Column 1 should equal zero.

If not greater than zero, it should equal the Liability Page Line 8.2, Column 1 and the Asset Page, Line 18.2, Column 3 should equal zero.

If equal to zero, the Liability Page, Line 8.2, Column 1 should equal zero and the Asset Page, Line 18.2, Column 3 should equal zero.

B. Regarding deferred tax liabilities that are not recognized:

See example in paragraph 10.27 of the *SSAP No. 101—Income Taxes* Q&A.

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C. Current income taxes incurred consist of the following major components:

| | (1)<br>12/31/2018 | (2)<br>12/31/2017 | (3)<br>(Col 1-2)<br>Change |
|---|---|---|---|
| 1. Current Income Tax | | | |
| (a) Federal | $ | $ | $ |
| (b) Foreign | $ | $ | $ |
| (c) Subtotal | $ | $ | $ |
| (d) Federal income tax on net capital gains | $ | $ | $ |
| (e) Utilization of capital loss carry-forwards | $ | $ | $ |
| (f) Other | $ | $ | $ |
| (g) Federal and foreign income taxes incurred | $ | $ | $ |
| | $ | $ | $ |
| 2. Deferred Tax Assets: | | | |
| (a) Ordinary | | | |
| (1) Discounting of unpaid losses | $ | $ | $ |
| (2) Unearned premium reserve | $ | $ | $ |
| (3) Policyholder reserves | $ | $ | $ |
| (4) Investments | $ | $ | $ |
| (5) Deferred acquisition costs | $ | $ | $ |
| (6) Policyholder dividends accrual | $ | $ | $ |
| (7) Fixed assets | $ | $ | $ |
| (8) Compensation and benefits accrual | $ | $ | $ |
| (9) Pension accrual | $ | $ | $ |
| (10) Receivables – nonadmitted | $ | $ | $ |
| (11) Net operating loss carry-forward | $ | $ | $ |
| (12) Tax credit carry-forward | $ | $ | $ |
| (13) Other (including items <5% of total ordinary tax assets) | $ | $ | $ |
| (99) Subtotal | $ | $ | $ |
| (b) Statutory valuation allowance adjustment | $ | $ | $ |
| (c) Nonadmitted | $ | $ | $ |
| (d) Admitted ordinary deferred tax assets (2a99 – 2b – 2c) | $ | $ | $ |
| (e) Capital: | | | |
| (1) Investments | $ | $ | $ |
| (2) Net capital loss carry-forward | $ | $ | $ |
| (3) Real estate | $ | $ | $ |
| (4) Other (including items <5% of total capital tax assets) | $ | $ | $ |
| (99) Subtotal | $ | $ | $ |
| (f) Statutory valuation allowance adjustment | $ | $ | $ |
| (g) Nonadmitted | $ | $ | $ |
| (h) Admitted capital deferred tax assets (2e99 – 2f – 2g) | $ | $ | $ |
| (i) Admitted deferred tax assets (2d + 2h) | $ | $ | $ |
| 3. Deferred Tax Liabilities: | $ | $ | $ |
| (a) Ordinary | | | |
| (1) Investments | $ | $ | $ |
| (2) Fixed assets | $ | $ | $ |
| (3) Deferred and uncollected premium | $ | $ | $ |
| (4) Policyholder reserves | $ | $ | $ |
| (5) Other (including items <5% of total ordinary tax liabilities) | $ | $ | $ |
| (99) Subtotal | $ | $ | $ |
| (b) Capital: | | | |
| (1) Investments | $ | $ | $ |
| (2) Real estate | $ | $ | $ |
| (3) Other (including items <5% of total capital tax liabilities) | $ | $ | $ |
| (99) Subtotal | $ | $ | $ |
| (c) Deferred tax liabilities (3a99 + 3b99) | | | |
| 4. Net deferred tax assets/liabilities (2i – 3c) | $ | $ | $ |

D. Among the more significant book to tax adjustments were the following:

See illustration in paragraph 12.31 of the *SSAP No. 101—Income Taxes* Q&A.

E. See example in paragraph 12.32 of the *SSAP No. 101—Income Taxes* Q&A.

(3) The aggregate amount of deposits reported as admitted assets under Section 6603 of the Internal Revenue Service (IRS) Code was $XX million as of December 31, 20XX.

F. See example in paragraph 12.34 of the *SSAP No. 101—Income Taxes* Q&A.

## 10. Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties

Instruction:

The financial statements shall include disclosures of all material related party transactions. In some cases, aggregation of similar transactions may be appropriate. Sometimes, the effect of the relationship between the parties may be so pervasive that disclosure of the relationship alone will be sufficient. If necessary to the understanding of the relationship, disclose the name of the related party. Transactions shall not be purported to be arm's-length transactions unless there is demonstrable evidence to support such statement. The disclosures shall include:

A. The nature of the relationship involved.

B. A description of the transactions for each of the periods for which financial statements are presented, and such other information considered necessary to obtain an understanding of the effects of the transactions on the financial statements. Exclude reinsurance transactions, any non-insurance transactions that are less than ½ of 1% of the total admitted assets of the reporting entity, and cost allocation transactions. The following information shall be provided if applicable:

(1) Date of transaction;

(2) Explanation of transaction;

(3) Name of reporting entity;

(4) Name of affiliate;

(5) Description of assets received by reporting entity;

(6) Statement value of assets received by reporting entity;

(7) Description of assets transferred by reporting entity; and

(8) Statement value of assets transferred by reporting entity.

C. The dollar amounts of transactions for each of the periods for which financial statements are presented and the effects of any change in the method of establishing the terms from that used in the preceding period.

D. Amounts due from or to related parties as of the date of each balance sheet presented and, if not otherwise apparent, the terms and manner of settlement.

E. Any guarantees or undertakings, written or otherwise, shall be disclosed in Note 14, Liabilities, Contingencies and Assessments, in accordance with the requirements of *SSAP No. 5R—Liabilities, Contingencies and Impairments of Assets*. In addition, the nature of the relationship to the beneficiary of the guarantee or undertaking (affiliated or unaffiliated) shall also be disclosed.

F. A description of material management or service contracts and cost-sharing arrangements involving the reporting entity and any related party. This shall include, but is not limited to, sale lease-back arrangements, computer or fixed asset leasing arrangements, and agency contracts that remove assets that may otherwise be recorded (and potentially nonadmitted) on the reporting entity's financial statements.

G. The nature of the control relationship whereby the reporting entity and one or more other enterprises are under common ownership or control and the existence of that control could result in operating results or financial position of the reporting entity being significantly different from those that would have been obtained if the enterprises were autonomous. Disclose the relationship even though there are no transactions between the enterprises.

H. The amount deducted from the value of an upstream intermediate entity or ultimate parent owned, either directly or indirectly, via a downstream subsidiary, controlled, or affiliated entity, in accordance with the *Purposes and Procedures Manual of the NAIC Investment Analysis Office*, "Procedures for Valuing Common Stocks and Stock Warrants."

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

I. For investment in an SCA entity that exceeds 10% of admitted assets of the reporting entity, disclose the following information:

(1) Disclose (i) the name of each SCA entity and percentage of ownership, (ii) the accounting policies of the reporting entity with respect to investments in these entities and (iii) the difference, if any, between the amount at which the investment is carried and the amount of underlying equity in net assets, (i.e., goodwill, other nonadmitted assets, fair value or discounted fair value adjustments, adjustments pursuant to SSAP No. 25 and the accounting treatment of the difference).

(2) Disclose for each SCA entity for which a quoted market price is available, the aggregate value of each investment based on the quoted market price and the difference, if any, between the amount at which the investment is carried and the quoted market price.

(3) Present summarized information as to assets, liabilities and results of operations for SCA entities either individually or in groups.

(4) The material effects of possible conversions, exercises or contingent issuances.

(5) If elected, or required to change the valuation method as described in *SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities*, a description of the reason for the change and the amount of adjustment recorded as unrealized gains or losses shall be disclosed. Also, disclose whether or not commissioner approval was obtained.

J. For investments in impaired SCA entities disclose in the year of an impairment write-down the following:

(1) A description of the impaired assets and the facts and circumstances leading to the impairment.

(2) The amount of the impairment and how fair value was determined.

K. If the investment in a foreign insurance subsidiary is calculated by adjusting annuity GAAP account value reserves using CARVM and the related Actuarial Guidelines, the interest rates and mortality assumptions used in the calculation as prescribed by the insurance department of the foreign country shall be disclosed.

L. If a reporting entity holds an investment in a downstream noninsurance holding company, the reporting entity may look-through the downstream noninsurance holding company to the value of (i) SCA entities having audited financial statements and/or (ii) joint ventures, partnerships, and/or limited liability companies having audited financial statements in which the downstream noninsurance holding company has a minor ownership interest or otherwise lacks control, i.e., ownership interest is less than 10% in lieu of obtaining an audit of the financial statements of the downstream noninsurance holding company (provided the limited exception to the audited financial statements requirement contained in *SSAP No. 97—Investments in Subsidiary, Controlled, and Affiliated Entities* applies).

If a reporting entity utilizes the look-through approach for the valuation of the downstream noninsurance holding company instead of obtaining audited financial statements of the downstream noninsurance holding company, the financial statements of the reporting entity shall include the following disclosures:

(1) The name of the downstream noninsurance holding company.

(2) The carrying value of the investment in the downstream non insurance holding company.

(3) The fact that the financial statements of the downstream noninsurance company are not audited.

(4) The fact that the reporting entity has limited the value of its investment in the downstream noninsurance holding company to the value contained in the audited financial statements, including adjustments required by this statement, of SCA entities and/or non-SCA SSAP No. 48 entities owned by the downstream noninsurance holding company and valued in accordance with *SSAP No. 97—Investments in Subsidiary, Controlled, and Affiliated Entities*.

(5) The fact that all liabilities, commitments, contingencies, guarantees or obligations of the downstream noninsurance holding company, which are required to be recorded as liabilities, commitments, contingencies, guarantees or obligations under applicable accounting guidance, are reflected in the reporting entity's determination of the carrying value of the investment in the downstream noninsurance holding company, if not already recorded in the financial statements of the downstream noninsurance holding company.

M. All SCA investments

Reporting Enities shall disclose for all SCA investments (except 8bi entities).

(1) Balance Sheet Value (Admitted and Nonadmitted) All SCAs (except 8bi entities)

Disclose the percentage of ownership and aggregate total of all SCA entities (except 8bi entities) with detail of the aggregate gross value under SSAP No. 97, with the admitted and nonadmitted amounts reflected on the balance sheet. See SSAP No. 97 for additional guidance.

(2) NAIC Filing Response Information

Provide the following information regarding the NAIC response to the SCA filing (except 8bi entities).

- The type of NAIC filing
- The date of the NAIC filing
- The NAIC valuation for the SCA entity
- If a response was received from the NAIC
- If the NAIC disallowed the reporting entities valuation method
- If changes in the reported SCA amount were immaterial (I) or material (M)

N. Investment in Insurance SCAs

A reporting entity that reports an investment in an insurance SCA (per SSAP No. 97) for which the audited statutory equity reflects a departure from the NAIC statutory accounting practices and procedures (e.g., permitted or prescribed practices) shall disclose the following:

(1) A description of the accounting practice, with a statement that the practice differs from the NAIC statutory accounting practices and procedures.

(2) The monetary effect on net income and surplus reflected by the insurance SCA as a result of using an accounting practice that differed from NAIC statutory accounting practices and procedures.

The reported entity's investment in the insurance SCA per the audited statutory equity and the investment in the insurance SCA the reporting entity would have reported if the insurance SCA had completed statutory financial statements in accordance with the NAIC statutory accounting practices and procedures.

(3) Whether the RBC of the insurance SCA would have triggered a regulatory event had it not used a prescribed or permitted practice.

O. SCA Loss Tracking

A reporting entity whose share of losses in an SCA exceeds its investment in the SCA shall disclose its share of losses. (This is required regardless of a guarantee or commitment of future financial support to the SCA.) The disclosure shall apply beginning in the period the SCA investment initially falls below zero and shall continue to be disclosed as long as the SCA investment is in a deficit position. Tracking shall cease once the investment in an SCA has been in a surplus position for one annual reporting period.

This disclosure shall include:

- The name of the SCA entity
- The reporting entity's current period share of SCA net income (loss)
- The reporting entity's accumulated share of SCA losses not recognized during the period that the equity method was suspended
- The reporting entity's share of the SCA equity, including negative equity
- Whether a guaranteed obligation or commitment for financial support exists
- The SCA's reported value

Additionally, the reporting entity shall detail in a narrative disclosure whether losses in the SCA have impacted other investments as required by INT 00-[illegible]: *EITF 98-13: Accounting by an Equity Method Investor for Investee Losses When the Investor Has Loans to and Investments in Other Securities of the Investee* and *EITF 99-10: Percentage Used to Determine the Amount of Equity Method Losses*.

Illustration:

A., B. & C. The Company paid common stock dividends to the Parent Company, The ABC Insurance Company, on July 15, 20____, totaling $__________.

D. At December 31, 20____, the Company reported $_________ as amounts due to the Parent Company, The ABC Insurance Company. The terms of the settlement require that these amounts be settled within 30 days.

E. The Company has given XYZ Inc., an affiliated company, a standing commitment until January 1, 20__, in the form of guarantees in the event of a default of XYZ on various of its debt issues as disclosed in Note 14.

F. The Company has agreed to provide the Parent Company, The ABC Insurance Company, certain actuarial investment services with respect to the administration of certain large group insurance contracts that are subject to group experience rating procedures.

The Parent Company has agreed to provide collection services for certain contracts for the Company.

G. All outstanding shares of The Company are owned by the Parent Company, The ABC Insurance Company, an insurance holding company domiciled in the State of ______________.

H. The Company owns shares of the stock of its ultimate parent, The ABC Insurance Company. A wholly owned subsidiary of the Company, The XYZ Insurance Company, owns shares of The ABC Insurance Company. In accordance with NAIC Securities Valuation Office guidelines, the asset value of The ABC Insurance Company has been reduced by $__________, and the asset value of the XYZ Insurance Company has been reduced by $___________.

I. The Company owns a_______ % interest in ABC Non-Insurance Company, whose carrying value is equal to or exceeds 10% of the admitted assets of The Company. The Company carries ABC Non-Insurance Company at GAAP equity plus the remaining goodwill balance of $__________. Goodwill is amortized on a straight-line basis over a ten-year period.

At 12/31/20__, The Company's interest in ABC Non-Insurance Company per the New York Stock Exchange quoted price was valued at $ __________, that was $ __________ in excess of the carrying value.

Based on The Company's ownership percentage of ABC Non-Insurance Company, the statement value of ABC Non-Insurance Company assets and liabilities as of 12/31/20__ were $ __________ and $__________, respectively.

The Company's share of net income of ABC Non-Insurance Company was $ __________ for the year ended 12/31/20__.

The Company has a 25% limited partnership interest in YXC Real Estate Partners. The partnership investment in office properties in the NE United States has been adversely affected by corporate restructuring. This has affected the value of the properties that resulted in the write-down of the Company's investment in XYC Real Estate Partners of $ __________ for the year ended 12/31/20__. The amount of the impairment was determined using appraisals from third parties.

J. The Company did not recognize any impairment write down for its investments in Subsidiary, Controlled or Affiliated Companies during the statement period.

L. XYZ Company utilizes the look-through approach in valuing its investment in ABC Company at $______. ABC Company's financial statements are not audited and XYZ Company has limited the value of its investment in ABC Company to the value contained in the audited financial statements, including adjustments required by SSAP No. 97, of SCA entities and/or non-SCA SSAP No. 48 entities owned by the ABC Company and valued in accordance with SSAP No. 97. All liabilities, commitments, contingencies, guarantees or obligations of the ABC Company, which are required to be recorded as liabilities, commitments, contingencies, guarantees or obligations under applicable accounting guidance, are reflected in XYZ Company's determination of the carrying value of the investment in ABC Company, if not already recorded in the financial statements of ABC Company.

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M. All SCA Investments

(1) Balance Sheet Value (Admitted and Nonadmitted) All SCAs (Except 8bi Entities)

| SCA Entity | Percentage of SCA Ownership | Gross Amount | Admitted Amount | Nonadmitted Amount |
|---|---|---|---|---|
| a. SSAP No. 97 8a Entities | | | | |
| .......... | .......... | $ .......... | $ .......... | $ .......... |
| .......... | .......... | .......... | .......... | .......... |
| .......... | .......... | .......... | .......... | .......... |
| Total SSAP No. 97 8a Entities | XXX | $ .......... | $ .......... | $ .......... |
| b. SSAP No. 97 8b(ii) Entities | | | | |
| .......... | .......... | $ .......... | $ .......... | $ .......... |
| .......... | .......... | .......... | .......... | .......... |
| .......... | .......... | .......... | .......... | .......... |
| Total SSAP No. 97 8b(ii) Entities | XXX | $ | $ | $ |
| c. SSAP No. 97 8b(iii) Entities | | | | |
| .......... | .......... | $ .......... | $ .......... | $ .......... |
| .......... | .......... | .......... | .......... | .......... |
| .......... | .......... | .......... | .......... | .......... |
| Total SSAP No. 97 8b(iii) Entities | XXX | $ | $ | $ |
| d. SSAP No. 97 8b(iv) Entities | | | | |
| .......... | .......... | $ .......... | $ .......... | $ .......... |
| .......... | .......... | .......... | .......... | .......... |
| .......... | .......... | .......... | .......... | .......... |
| Total SSAP No. 97 8b(iv) Entities | XXX | $ | $ | $ |
| e. Total SSAP No. 97 8b Entities (except 8bi entities) (b+c+d) | XXX | $ | $ | $ |
| f. Aggregate Total (a+e) | XXX | | $ | $ |

(2) NAIC Filing Response Information

| SCA Entity (Should be same entities as shown in M(1) above.) | Type of NAIC Filing* | Date of Filing to the NAIC | NAIC Valuation Amount | NAIC Response Received Y/N | NAIC Disallowed Entities Valuation Method, Resubmission Required Y/N | Code** |
|---|---|---|---|---|---|---|
| a. SSAP No. 97 8a Entities | | | | | | |
| .......... | ...... | .......... | $.......... | .......... | .......... | ...... |
| .......... | ...... | .......... | .......... | .......... | .......... | ...... |
| .......... | ...... | .......... | .......... | .......... | .......... | ...... |
| Total SSAP No. 97 8a Entities | XXX | XXX | $ | XXX | XXX | XXX |
| b. SSAP No. 97 8b(ii) Entities | | | | | | |
| .......... | ...... | .......... | $.......... | .......... | .......... | ...... |
| .......... | ...... | .......... | .......... | .......... | .......... | ...... |
| .......... | ...... | .......... | .......... | .......... | .......... | ...... |
| Total SSAP No. 97 8b(ii) Entities | XXX | XXX | $ | XXX | XXX | XXX |
| c. SSAP No. 97 8b(iii) Entities | | | | | | |
| .......... | ...... | .......... | $.......... | .......... | .......... | ...... |
| .......... | ...... | .......... | .......... | .......... | .......... | ...... |
| .......... | ...... | .......... | .......... | .......... | .......... | ...... |
| Total SSAP No. 97 8b(iii) Entities | XXX | XXX | $ | XXX | XXX | XXX |
| d. SSAP No. 97 8b(iv) Entities | | | | | | |
| .......... | ...... | .......... | $.......... | .......... | .......... | ...... |
| .......... | ...... | .......... | .......... | .......... | .......... | ...... |
| .......... | ...... | .......... | .......... | .......... | .......... | ...... |
| Total SSAP No. 97 8b(iv) Entities | XXX | XXX | $ | XXX | XXX | XXX |
| e. Total SSAP No. 97 8b Entities (except 8bi entities) (b+c+d) | XXX | XXX | $ | XXX | XXX | XXX |
| f. Aggregate Total (a+e) | XXX | XXX | $ | XXX | XXX | XXX |

* S1 – Sub-1, S2 – Sub-2 or RDF – Resubmission of Disallowed Filing

** I – Immaterial or M – Material

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N. Investment in Insurance SCAs

(2) The monetary effect on net income and surplus as a result of using an accounting practice that differed from NAIC Statutory Accounting Practices and Procedures (NAIC SAP), the amount of the investment in the insurance SCA per audited statutory equity and amount of the investment if the insurance SCA had completed statutory financial statements in accordance with the AP&P Manual.

| SCA Entity (Investments in Insurance SCA Entities) | Monetary Effect on NAIC SAP | | Amount of Investment | |
|---|---|---|---|---|
| | Net Income Increase (Decrease) | Surplus Increase (Decrease) | Per Audited Statutory Equity | If the Insurance SCA Had Completed Statutory Financial Statements * |
| ........................ | $ ............ | $ ............ | $ ............ | $ ............ |
| ........................ | $ ............ | $ ............ | $ ............ | $ ............ |
| ........................ | $ ............ | $ ............ | $ ............ | $ ............ |
| ........................ | $ ............ | $ ............ | $ ............ | $ ............ |
| ........................ | $ ............ | $ ............ | $ ............ | $ ............ |

* Per AP&P Manual (without permitted or prescribed practices)

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O. SCA Loss Tracking

| 1<br>SCA Entity | 2<br>Reporting Entity's Share of SCA Net Income (Loss) | 3<br>Accumulated Share of SCA Net Income (Losses) | 4<br>Reporting Entity's Share of SCA's Equity, Including Negative Equity | 5<br>Guaranteed Obligation / Commitment for Financial Support (Yes / No) | 6<br>SCA Reported Value |
|---|---|---|---|---|---|
| ........................ | ............ | ............ | ............ | ............ | ............ |
| ........................ | ............ | ............ | ............ | ............ | ............ |
| ........................ | ............ | ............ | ............ | ............ | ............ |
| ........................ | ............ | ............ | ............ | ............ | ............ |
| ........................ | ............ | ............ | ............ | ............ | ............ |
| ........................ | ............ | ............ | ............ | ............ | ............ |
| ........................ | ............ | ............ | ............ | ............ | ............ |
| ........................ | ............ | ............ | ............ | ............ | ............ |
| ........................ | ............ | ............ | ............ | ............ | ............ |
| ........................ | ............ | ............ | ............ | ............ | ............ |
| ........................ | ............ | ............ | ............ | ............ | ............ |

**NOTE: This disclosure is only required for SCAs in which the reporting entity's share of losses exceeds the investment in an SCA. (The SCA investment is in a negative equity position). This disclosure shall apply beginning in the period the investment in the SCA equity initially falls below zero and shall continue to be disclosed as long as the SCA investment is in a negative equity position. The disclosure is required whenever an investment in an SCA entity is in a negative equity position and in the first year subsequent to the negative equity position in which a positive equity position has been attained.**

**For Column 6, as detailed in SSAP No. 97, once the reporting entity's share of losses equals or exceeds the investment in the SCA, the SCA shall be reported at zero, with discontinuation of the equity method, unless there is a guaranteed obligation or a commitment for future financial support. If there is a guaranteed obligation or a commitment for future financial support, the guarantee requirement shall be recognized pursuant to SSAP No. 5R, and the reporting entity shall report the investment in the SCA reflecting its share of losses as a contra-asset. *(Disclosure of the guarantee or commitment would be captured in Note 14 and is not duplicated in this disclosure.)***

## 11. Debt

<u>Instruction:</u>

A. Disclose the following items related to debt, including capital notes. Refer to *SSAP No. 15—Debt and Holding Company Obligations* for accounting guidance:

(1) Date issued;

(2) Pertinent information concerning the kind of borrowing (e.g., debentures, commercial paper outstanding, bank loans, capital notes and lines of credit);

(3) Face amount of the debt;

(4) Carrying value of debt;

(5) The rate at which interest accrues;

(6) The effective interest rate;

(7) Collateral requirements;

(8) Interest paid in the current year;

(9) A summary of significant debt terms and covenants and any violations;

(10) The combined aggregate amount of maturities and sinking fund requirements for each of the five years following the latest balance sheet presented;

(11) If debt was considered to be extinguished by in-substance defeasance prior to the effective date of this statement and any of the debt remains outstanding, a general description of the transaction and the amount of debt that is considered extinguished at the end of the period.

(12) A description of the terms of reverse repurchase agreements whose amounts are included as part of debt.

B. For FHLB (Federal Home Loan Bank) agreements, the following information shall be disclosed for the current year and prior year-end. (The information in the disclosures shall be presented gross even if a right to offset per *SSAP No. 64—Offsetting and Netting of Assets and Liabilities* exists.)

(1) General description with information on the nature of the agreement, type of borrowing (advances, lines of credit, borrowed money, etc.) and use of the funding.

(2) FHLB Capital Stock

a. Amount of FHLB capital stock held, in aggregate, and classified as follows:

- Membership stock (separated by Class A and Class B)
- Activity Stock
- Excess Stock
- Aggregate Total
- The actual or estimated maximum borrowing capacity as determined by the insurer

Also provide a description of how the borrowing capacity was determined.

b. For membership stock (Class A and Class B), report the amount of FHLB capital stock eligible and not eligible for redemption (for FHLB membership stock to be eligible for redemption, written notification must have been provided to the FHLB prior to the reporting date) and the anticipated time frame for redemption showing:

- Total Current Year
- Not Eligible for Redemption
- Less than 6 months
- 6 months to 1 year
- 1 year to 3 years
- 3 year to 5 years

(3) Collateral Pledged to FHLB

a. Amount (fair value and carrying value) of collateral pledged to the FHLB as of the reporting date and total aggregate borrowing.

b. Maximum amount of collateral (fair value and carrying amount) pledged to the FHLB at any time during the current reporting period and amount borrowed at time of maximum collateral. (Maximum shall be determined on the basis of carrying value, but with fair amount also reported.)

(4) Borrowing from FHLB

a. Aggregate amount of borrowings from the FHLB, reflecting compilation of all advances, loans, funding agreements, repurchase agreements, securities lending, etc., outstanding with the FHLB, and classify whether the borrowing is in substance:

- Debt (*SSAP No. 15—Debt and Holding Company Obligations*)
- A funding agreement (*SSAP No. 52—Deposit-Type Contracts*)
- Other
- Aggregate Total

For funding agreements, report the total reserves established.

b. Report the maximum amount of aggregate borrowings from an FHLB at any time during the current reporting period for:

- Debt (*SSAP No. 15—Debt and Holding Company Obligations*)
- A funding agreement (*SSAP No. 52—Deposit-Type Contracts*)
- Other
- Aggregate Total

c. Disclose whether current borrowings are subject to prepayment penalties for:

- Debt (*SSAP No. 15—Debt and Holding Company Obligations*)
- A funding agreement (*SSAP No. 52—Deposit-Type Contracts*)
- Other

Illustration:

A. The Company has outstanding $_______ of ______% debentures due __20__ issued on __/__/20__. The carrying amount of the debt is $_____ with an effective rate of ___%. The debentures are not redeemable prior to 20__. The Company is required to make annual sinking fund payments of $__________ that will provide sufficient funds for the retirement of debentures at maturity. Interest paid during 20__ was $_____.

The Company has an outstanding liability for borrowed money in the amount of $_______ due to __________. The principal amount is due 20__. At the option of the Company, early repayment may be made. Interest at ___% is required to be paid annually. The Company is required to maintain a collateral security deposit with the lender. Assets in such security deposit are required to be maintained in a fair value amount at least equal to the outstanding principal. At December 31, 20__, assets having an admitted value of $__________ and a fair value of $_________ were on deposit with the lender.

The company does not have any reverse repurchase agreements.

**THIS EXACT FORMAT MUST BE USED IN THE PREPARATION OF THIS NOTE FOR THE TABLE (LINES 2 THROUGH 4) BELOW. REPORTING ENTITIES ARE NOT PRECLUDED FROM PROVIDING CLARIFYING DISCLOSURE BEFORE OR AFTER THIS ILLUSTRATION.**

B. FHLB (Federal Home Loan Bank) Agreements

(1) The Company is a member of the Federal Home Loan Bank (FHLB) of _________. Through its membership, the Company has conducted business activity (borrowings) with the FHLB. It is part of the Company's strategy to utilize these funds as_______. (For example backup liquidity, to increase profitability, as tactical funding and/or to improve spread lending liquidity.) The Company has determined the actual/estimated maximum borrowing capacity as $____. The Company calculated this amount in accordance with _______ (e.g., current FHLB capital stock, limitations in the FHLB capital plan, current and potential acquisitions of FHLB capital stock, etc.)

(2) FHLB Capital Stock

a. Aggregate Totals

| | Total |
|---|---|
| 1. Current Year | |
| (a) Membership Stock – Class A | .............................. |
| (b) Membership Stock – Class B | .............................. |
| (c) Activity Stock | .............................. |
| (d) Excess Stock | .............................. |
| (e) Aggregate Total (a+b+c+d) | .............................. |
| (f) Actual or Estimated Borrowing Capacity as Determined by the Insurer | .............................. |
| 2. Prior Year-end | |
| (a) Membership Stock – Class A | .............................. |
| (b) Membership Stock – Class B | .............................. |
| (c) Activity Stock | .............................. |
| (d) Excess Stock | .............................. |
| (e) Aggregate Total (a+b+c+d) | .............................. |
| (f) Actual orEestimated Borrowing Capacity as Determined by the Insurer | .............................. |

11B(2)a1(f) should be equal to or greater than 11B(2)a1(d)

11B(2)a2(f) should be equal to or greater than 11B(2)a2(d)

b. Membership Stock (Class A and B) Eligible and Not Eligible for Redemption

| | 1 | 2 | Eligible for Redemption | | | |
|---|---|---|---|---|---|---|
| | | | 3 | 4 | 5 | 6 |
| Membership Stock | Current Year Total (2+3+4+5+6) | Not Eligible for Redemption | Less Than 6 Months | 6 Months to Less Than 1 Year | 1 to Less Than 3 Years | 3 to 5 Years |
| 1. Class A | .................... | .................... | .................... | .................... | .................... | .................... |
| 2. Class B | .................... | .................... | .................... | .................... | .................... | .................... |

11B(2)b1 Current Year Total (Column 1) should equal 11B(2)a1(a) Total (Column 1)

11B(2)b2 Current Year Total (Column 1) should equal 11B(2)a1(b) Total (Column 1)

(3) Collateral Pledged to FHLB

a. Amount Pledged as of Reporting Date

| | 1<br>Fair Value | 2<br>Carrying Value | 3<br>Aggregate Total Borrowing |
|---|---|---|---|
| 1. Current Year Total Collateral Pledged | ............................ | ............................ | ............................ |
| 2. Prior Year-end Total Collateral Pledged | ............................ | ............................ | ............................ |

11B(3)a1 (Columns 1, 2 and 3) should be equal to or less than 11B(3)b1 (Columns 1, 2 and 3, respectively)

11B(3)a2 (Columns 1, 2 and 3) should be equal to or less than 11B(3)b2 (Columns 1, 2 and 3, respectively)

b. Maximum Amount Pledged During Reporting Period

| | 1<br>Fair Value | 2<br>Carrying Value | 3<br>Amount Borrowed at Time of Maximum Collateral |
|---|---|---|---|
| 1. Current Year Total Maximum Collateral Pledged | ............................ | ............................ | ............................ |
| 2. Prior Year-end Total Maximum Collateral Pledged | ............................ | ............................ | ............................ |

(4) Borrowing from FHLB

a. Amount as of the Reporting Date

| | Total | Funding Agreements Reserves Established |
|---|---|---|
| 1. Current Year | | |
| (a) Debt | ............................ | XXX |
| (b) Funding Agreements | ............................ | ............................ |
| (c) Other | ............................ | XXX |
| (d) Aggregate Total (a+b+c) | ............................ | ............................ |
| 2. Prior Year-end | | |
| (a) Debt | ............................ | XXX |
| (b) Funding Agreements | ............................ | ............................ |
| (c) Other | ............................ | XXX |
| (d) Aggregate Total (a+b+c) | ............................ | ............................ |

b. Maximum Amount during Reporting Period (Current Year)

| | | Total |
|---|---|---|
| 1. | Debt | ................................. |
| 2. | Funding Agreements | ................................. |
| 3. | Other | ................................. |
| 4. | Aggregate Total (Lines 1+2+3) | ................................. |

11B(4)b4 should be equal to or greater than 11B(4)a1(d)

c. FHLB – Prepayment Obligations

| | | Does the company have prepayment obligations under the following arrangements (YES/NO)? |
|---|---|---|
| 1. | Debt | ................................................................ |
| 2. | Funding Agreements | ................................................................ |
| 3. | Other | ................................................................ |

**12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans**

The disclosures required for this Note shall be aggregated for all of a reporting entity's defined benefit pension plans and for all of a reporting entity's other defined benefit postretirement plans unless disaggregating in groups is considered to provide useful information or is otherwise required by *SSAP No. 92—Postretirement Benefits Other Than Pensions* or *SSAP No. 102—Pensions*. Disclosures shall be as of the date of each statement of financial position presented. Disclosures about pension plans with assets in excess of the accumulated benefit obligation generally may be aggregated with disclosures about pension plans with accumulated benefit obligations in excess of assets. The same aggregation is permitted for other postretirement benefit plans. If aggregate disclosures are presented, a reporting entity shall disclose:

- The aggregate benefit obligation and aggregate fair value of plan assets for plans with benefit obligations in excess of plan assets as of the measurement date of each statement of financial position presented.
- The aggregate pension accumulated benefit obligation and aggregate fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets.

Refer to *SSAP No. 11—Postemployment Benefits and Compensated Absences, SSAP No. 92—Postretirement Benefits Other Than Pensions* and *SSAP No. 102—Pensions* for additional guidance.

Instruction:

A. Defined Benefit Plan

Disclose the following regarding a reporting entity sponsoring a Defined Benefit Plan for which the reporting entity is directly liable (i.e., the plan resides directly in the reporting entity):

(1) A reconciliation of beginning and ending balances of the benefit obligation for pension benefits, postretirement benefits, and special or contractual termination benefits showing separately, if applicable, the effects during the period attributable to each of the below. For special or contractual termination benefits see *SSAP No. 11—Postemployment Benefits and Compensated Absences* for additional information.

- Beginning balance
- Service cost
- Interest cost
- Contributions by plan participants
- Actuarial gains and losses
- Foreign currency exchange rate changes
- Benefits paid
- Plan amendments
- Business combinations, divestitures, curtailments, settlements, and special termination benefits
- Ending balance

(2) A reconciliation of beginning and ending balances of the fair value of plan assets for pension benefits, postretirement benefits, and special or contractual termination benefits showing separately, if applicable, the effects during the period attributable to each of the below. For special or contractual termination benefits see *SSAP No. 11—Postemployment Benefits and Compensated Absences* for additional information.

a. Fair value of plan assets at beginning of year
b. Actual return on plan assets
c. Foreign currency exchange rate changes
d. Contributions by the reporting entity
e. Contributions by plan participants
f. Benefits paid
g. Business combinations, divestitures, and settlements
h. Fair value of plan assets at end of year

(3) The funded status of the plans, the amounts recognized in the statement of financial position, showing separately the assets (nonadmitted) and liabilities recognized.

(4) The amount of net periodic benefit cost recognized for pension benefits, postretirement benefits, and special or contractual termination benefits, showing separately each of the below. For special or contractual termination benefits, see *SSAP No. 11—Postemployment Benefits and Compensated Absences* for additional information.

a. Service cost

b. Interest cost

c. Expected return on plan assets for the period

d. Transition asset or obligation

e. Gains and losses

f. Prior service cost or credit

g. Gain or loss recognized due to a settlement or curtailment

h. Total net periodic benefit cost

(5) Separately the net gain or loss and net prior service cost or credit recognized in unassigned funds (surplus) for the period and reclassification adjustments of unassigned funds (surplus) for the period, as those amounts, including amortization of the net transition asset or obligation, are recognized as components of net periodic benefit cost.

(6) The amounts in unassigned funds (surplus) expected to be recognized as components of net periodic benefit cost over the fiscal year that follows the most recent annual statement of financial position presented, showing separately the net gain or loss, net prior service cost or credit, and net transition asset or obligation.

(7) The amounts in unassigned funds (surplus) that have not yet been recognized as components of net periodic benefit cost, showing separately the net gain or loss, net prior service cost or credit, and net transition asset or obligation.

(8) On a weighted-average basis, the following assumptions used in accounting for the plans:

- Assumed discount rate
- Rate of compensation increase (for pay-related plans)
- Expected long-term rate of return on plan assets

(9) The amount of the accumulated benefit obligation for defined benefit pension plans.

(10) For postretirement benefits other than pensions, the assumed health care cost trend rate(s) for the next year used to measure the expected cost of benefits covered by the plan (gross eligible charges) and a general description of the direction and pattern of change in the assumed trend rates thereafter, together with the ultimate trend rate(s) and when that rate is expected to be achieved.

(11) For postretirement benefits other than pensions, the effect of a one-percentage-point increase and the effect of a one-percentage-point decrease in the assumed health care cost trend rates on: (1) the aggregate of the service and interest cost components of net periodic postretirement health care benefit cost; and (2) the accumulated postretirement benefit obligation for health care benefits. (For purposes of this disclosure, all other assumptions shall be held constant, and the effects shall be measured based on the substantive plan that is the basis for the accounting.)

(12) The benefits (as of the date of the latest statement of financial position presented) expected to be paid in each of the next five fiscal years, and in the aggregate for the five fiscal years thereafter. The expected benefits should be estimated based on the same assumptions used to measure the company's benefit obligation at the end of the year and should include benefits attributable to estimated future employee service.

(13) The reporting entity's best estimate, as soon as it can reasonably be determined, of contributions expected to be paid to the plan during the next fiscal year beginning after the date of the latest statement of financial position presented. Estimated contributions may be presented in the aggregate combining (1) contributions required by funding regulations or laws, (2) discretionary contributions, and (3) noncash contributions.

(14) If applicable, the amounts and types of securities of the reporting entity and related parties included in plan assets, the approximate amount of future annual benefits of plan participants covered by insurance contracts issued by the reporting entity or related parties, and any significant transactions between the reporting entity or related parties and the plan during the period.

(15) If applicable, any alternative method used to amortize prior service amounts or net gains and losses.

(16) If applicable, any substantive commitment, such as past practice or a history of regular benefit increases, used as the basis for accounting for the benefit obligation.

(17) If applicable, the cost of providing special or contractual termination benefits recognized during the period and a description of the nature of the event.

(18) An explanation of any significant change in the benefit obligation or plan assets not otherwise apparent in the other disclosures required by *SSAP No. 102—Pensions* and *SSAP No. 92—Postretirement Benefits Other Than Pensions*.

(19) The amount and timing of any plan assets expected to be returned to the employer during the 12-month period, or operating cycle if longer, that follows the most recent annual statement of financial position presented.

(20) Reporting entities are required to disclose the accumulated postretirement and pension benefit obligation and the fair value of plan assets for defined postretirement and pension benefit plans in the first reporting period after the effective date of this standard and in each subsequent reporting period. This disclosure shall specifically note the funded/underfunded status of the postretirement benefit plan. Reporting entities shall also specifically note the surplus impact necessary, at each reporting date, to reflect the full benefit obligation within the financial statements.

(21) Reporting entities electing to apply the transition guidance set forth in *SSAP No. 102—Pensions* and *SSAP No. 92—Postretirement Benefits Other Than Pensions* must disclose the full transition surplus impact calculated from applying guidance in the first quarter statutory financial statements after the transition date and each reporting period thereafter. This disclosure shall include the initial "transition liability" calculated under guidance and the annual amortization amount of the "unrecognized items" in net periodic benefit cost. This disclosure shall include a schedule of the entity's anticipated recognition of the remaining surplus impact over the transition period.

See *SSAP No. 102—Pensions* and *SSAP No. 92—Postretirement Benefits Other Than Pensions* for details of the transition guidance.

Information about plan assets:

The objectives of the disclosures about postretirement benefit plan assets are to provide users of financial statements with an understanding of:

- How investment allocation decisions are made, including the factors that are pertinent to an understanding of investment policies and strategies.
- The classes of plan assets.
- The inputs and valuation techniques used to measure the fair value of plan assets.
- The effect of fair value measurements using significant unobservable inputs (Level 3) on changes in plan assets for the period.
- Significant concentrations of risk within plan assets.

A reporting entity shall consider those overall objectives in providing the following information about plan assets.

B. A narrative description of investment policies and strategies, including target allocation percentages or range of percentages considering the classes of plan assets disclosed pursuant to "C" below, as of the latest statement of financial position presented (on a weighted-average basis for reporting entities with more than one plan), and other factors that are pertinent to an understanding of those policies and strategies such as investment goals, risk management practices, permitted and prohibited investments including the use of derivatives, diversification, and the relationship between plan assets and benefit obligations. For investment funds disclosed as classes as described in "C" below, a description of the significant investment strategies of those funds shall be provided.

C. The fair value of each class of plan assets as of each date for which a statement of financial position is presented. Asset classes shall be based on the nature and risks of assets in a reporting entity's plan(s).

Examples of classes of assets include, but are not limited to, the following:

- Cash and cash equivalents;
- Equity securities (segregated by industry type, company size, or investment objective);
- Debt securities, issued by national, state, and local governments;
- Corporate debt securities;
- Asset-backed securities;
- Structured debt;
- Derivatives on a gross basis (segregated by type of underlying risk in the contract, for example):
  - ❖ Interest rate contracts
  - ❖ Foreign exchange contracts
  - ❖ Equity contracts
  - ❖ Commodity contracts
  - ❖ Credit contracts
  - ❖ Other contracts
- Investment funds (segregated by type of fund);
- Real estate.

These examples are not meant to be all inclusive. A reporting entity should consider the overall objectives in determining whether additional classes of plan assets or further disaggregation of classes should be disclosed.

The disclosure should include information that enables users of financial statements to assess the inputs and valuation techniques used to develop fair value measurements of plan assets at the reporting date. For fair value measurements using significant unobservable inputs, a reporting entity shall disclose the effect of the measurements on changes in plan assets for the period. To meet those objectives, the reporting entity shall disclose the following information for each class of plan assets disclosed above for each annual period:

(1) The level within the fair value hierarchy in which the fair value measurements falls in their entirety, segregating fair value measurements using quoted prices in active markets for identical assets or liabilities (Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3).

NOTE: In some cases, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement falls in its entirety shall be determined based on the lowest level input that is significant to the fair value measurement in its entirety. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

(2) Information about the valuation technique(s) and inputs used to measure fair value and a discussion of changes in valuation techniques and inputs, if any, during the period.

D. A narrative description of the basis used to determine the overall expected long-term rate-of-return-on-assets assumption, such as the general approach used, the extent to which the overall rate-of-return-on-assets assumption was based on historical returns, the extent to which adjustments were made to those historical returns in order to reflect expectations of future returns, and how those adjustments were determined. The description should consider the classes of assets described in "C" above, as appropriate.

E. Defined Contribution Plans

A reporting entity shall disclose the amount of cost recognized for defined contribution pension and other defined contribution postretirement benefit plans for all periods presented separately from the amount of cost recognized for defined benefit plans. The disclosures shall include a description of the nature and effect of any significant changes during the period affecting comparability, such as a change in the rate of reporting entity contributions, a business combination, or a divestiture.

F. Multiemployer Plans

Disclose the amount of reporting entity contributions to multiemployer plans for each annual period for which a statement of income is presented. A reporting entity may disclose total contributions to the multiemployer plan without desegregating the amounts attributable to pensions and other postretirement benefits. Disclose a description of the nature and effect of any changes affecting comparability, such as a change in the rate of reporting entity contributions, a business combination, or a divestiture. Disclose whether the contributions represent more than 5 percent of total contributions to the plan as indicated in the plan's most recently available annual report.

In addition to the requirements of paragraph above, the following information shall be disclosed:

- Whether a funding improvement plan or rehabilitation plan has been implemented or is pending.
- Whether the reporting entity paid a surcharge to the plan.
- A description of minimum contributions required for future periods, if applicable.
- A qualitative description of the extent to which the employer could be responsible for the obligations of the plan, including benefits earned by employees during employment with another employer.

G. Consolidated/Holding Company Plans

A reporting entity shall disclose that its employees participate in a plan sponsored by the parent company or holding company for which the reporting entity has no legal obligation for benefits under the plan. The amount of pension, postretirement other than pension, postemployment and compensated absence expense incurred and the allocation methodology utilized by the provider of such benefits shall also be disclosed.

H. Postemployment Benefits and Compensated Absences

If an obligation for postemployment benefits or compensated absences is not accrued in accordance with *SSAP No. 11—Postemployment Benefits and Compensated Absences* because the amount cannot be reasonably estimated, that fact and the reasons thereof shall be disclosed.

The nature and effect of significant nonroutine events, such as amendments, combinations, divestures, curtailments and settlements.

I. Impact of Medicare Modernization Act on Postretirement Benefits (INT 04-17)

(1) Until an employer is able to determine whether benefits provided by its plan are actuarially equivalent, it shall disclose the following in financial statements for interim or annual periods:

a. The existence of the Act.

b. The fact that measures of the APBO or net periodic postretirement benefit cost do not reflect any amount associated with the subsidy because the employer is unable to conclude whether the benefits provided by the plan are actuarially equivalent to Medicare Part D under the Act.

(2) In the interim and annual financial statements for the first period in which an employer includes the effects of the subsidy in measuring the net postretirement benefit cost, it shall disclose the following:

a. The reduction in the net postretirement benefit cost for the subsidy related to benefits attributed to former employees.

b. The effect of the subsidy on the measurement of net periodic postretirement benefit cost for the current period. That effect includes (1) any amortization of the actuarial experience gain in "a." above as a component of the net amortization called for by *SSAP No. 92—Postretirement Benefits Other Than Pensions*, (2) the reduction in current period service cost due to the subsidy, and (3) the resulting reduction in interest cost on the net postretirement benefit cost as a result of the subsidy.

c. Any other disclosures required by *SSAP No. 92—Postretirement Benefits Other Than Pensions* which requires disclosure of "An explanation of any significant change in the benefit obligation or plan assets not otherwise apparent in the other disclosures required by this statement."

(3) An employer shall disclose gross benefit payments (paid and expected, respectively), including prescription drug benefits, and separately the gross amount of the subsidy receipts (received and expected, respectively).

<u>Illustration:</u>

A. Defined Benefit Plan

The Company sponsors non-contributory defined benefit pension plans covering U.S. employees. As of December 31, 20___, the Company accrued in accordance with actuarially determined amounts with an offset to the pension cost accrual for the incremental asset amortization.

A summary of assets, obligations and assumptions of the Pension and Other Postretirement Benefit Plans are as follows at December 31, 20___ and 20___:

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

(1) Change in benefit obligation

a. Pension Benefits

| | Overfunded | | Underfunded | |
|---|---|---|---|---|
| | 20__ | 20__ | 20__ | 20__ |
| 1. Benefit obligation at beginning of year | $______ | $______ | $______ | $______ |
| 2. Service cost | $______ | $______ | $______ | $______ |
| 3. Interest cost | $______ | $______ | $______ | $______ |
| 4. Contribution by plan participants | $______ | $______ | $______ | $______ |
| 5. Actuarial gain (loss) | $______ | $______ | $______ | $______ |
| 6. Foreign currency exchange rate changes | $______ | $______ | $______ | $______ |
| 7. Benefits paid | $______ | $______ | $______ | $______ |
| 8. Plan amendments | $______ | $______ | $______ | $______ |
| 9. Business combinations, divestitures, curtailments, settlements and special termination benefits | $______ | $______ | $______ | $______ |
| 10. Benefit obligation at end of year | $______ | $______ | $______ | $______ |

b. Postretirement Benefits

| | Overfunded | | Underfunded | |
|---|---|---|---|---|
| | 20__ | 20__ | 20__ | 20__ |
| 1. Benefit obligation at beginning of year | $______ | $______ | $______ | $______ |
| 2. Service cost | $______ | $______ | $______ | $______ |
| 3. Interest cost | $______ | $______ | $______ | $______ |
| 4. Contribution by plan participants | $______ | $______ | $______ | $______ |
| 5. Actuarial gain (loss) | $______ | $______ | $______ | $______ |
| 6. Foreign currency exchange rate changes | $______ | $______ | $______ | $______ |
| 7. Benefits paid | $______ | $______ | $______ | $______ |
| 8. Plan amendments | $______ | $______ | $______ | $______ |
| 9. Business combinations, divestitures, curtailments, settlements and special termination benefits | $______ | $______ | $______ | $______ |
| 10. Benefit obligation at end of year | $______ | $______ | $______ | $______ |

c. Special or Contractual Benefits Per SSAP No. 11

| | Overfunded | | Underfunded | |
|---|---|---|---|---|
| | 20__ | 20__ | 20__ | 20__ |
| 1. Benefit obligation at beginning of year | $______ | $______ | $______ | $______ |
| 2. Service cost | $______ | $______ | $______ | $______ |
| 3. Interest cost | $______ | $______ | $______ | $______ |
| 4. Contribution by plan participants | $______ | $______ | $______ | $______ |
| 5. Actuarial gain (loss) | $______ | $______ | $______ | $______ |
| 6. Foreign currency exchange rate changes | $______ | $______ | $______ | $______ |
| 7. Benefits paid | $______ | $______ | $______ | $______ |
| 8. Plan amendments | $______ | $______ | $______ | $______ |
| 9. Business combinations, divestitures, curtailments, settlements and special termination benefits | $______ | $______ | $______ | $______ |
| 10. Benefit obligation at end of year | $______ | $______ | $______ | $______ |

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

(2) Change in plan assets

| | | Pension Benefits | | Postretirement Benefits | | Special or Contractual Benefits Per SSAP No. 11 | |
|---|---|---|---|---|---|---|---|
| | | 20__ | 20__ | 20__ | 20__ | 20__ | 20__ |
| a. | Fair value of plan assets at beginning of year | $______ | $______ | $______ | $______ | $______ | $______ |
| b. | Actual return on plan assets | $______ | $______ | $______ | $______ | $______ | $______ |
| c. | Foreign currency exchange rate changes | $______ | $______ | $______ | $______ | $______ | $______ |
| d. | Reporting entity contribution | $______ | $______ | $______ | $______ | $______ | $______ |
| e. | Plan participants' contributions | $______ | $______ | $______ | $______ | $______ | $______ |
| f. | Benefits paid | $______ | $______ | $______ | $______ | $______ | $______ |
| g. | Business combinations, divestitures and settlements | $______ | $______ | $______ | $______ | $______ | $______ |
| h. | Fair value of plan assets at end of year | $______ | $______ | $______ | $______ | $______ | $______ |

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

(3) Funded status

| | | Pension Benefits | | Postretirement Benefits | |
|---|---|---|---|---|---|
| | | 20__ | 20__ | 20__ | 20__ |
| a. | Components: | | | | |
| | 1. Prepaid benefit costs | $______ | $______ | $______ | $______ |
| | 2. Overfunded plan assets | $______ | $______ | $______ | $______ |
| | 3. Accrued benefit costs | $______ | $______ | $______ | $______ |
| | 4. Liability for pension benefits | $______ | $______ | $______ | $______ |
| b. | Assets and liabilities recognized: | | | | |
| | 1. Assets (nonadmitted) | $______ | $______ | $______ | $______ |
| | 2. Liabilities recognized | $______ | $______ | $______ | $______ |
| c. | Unrecognized liabilities | $______ | $______ | $______ | $______ |

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

(4) Components of net periodic benefit cost

| | | Pension Benefits | | Postretirement Benefits | | Special or Contractual Benefits Per SSAP No. 11 | |
|---|---|---|---|---|---|---|---|
| | | 20__ | 20__ | 20__ | 20__ | 20__ | 20__ |
| a. | Service cost | $______ | $______ | $______ | $______ | $______ | $______ |
| b. | Interest cost | $______ | $______ | $______ | $______ | $______ | $______ |
| c. | Expected return on plan assets | $______ | $______ | $______ | $______ | $______ | $______ |
| d. | Transition asset or obligation | $______ | $______ | $______ | $______ | $______ | $______ |
| e. | Gains and losses | $______ | $______ | $______ | $______ | $______ | $______ |
| f. | Prior service cost or credit | $______ | $______ | $______ | $______ | $______ | $______ |
| g. | Gain or loss recognized due to a settlement or curtailment | $______ | $______ | $______ | $______ | $______ | $______ |
| h. | Total net periodic benefit cost | $______ | $______ | $______ | $______ | $______ | $______ |

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

(5) Amounts in unassigned funds (surplus) recognized as components of net periodic benefit cost

| | | Pension Benefits | | Postretirement Benefits | |
|---|---|---|---|---|---|
| | | 20__ | 20__ | 20__ | 20__ |
| a. | Items not yet recognized as a component of net periodic cost – prior year | $ | $ | $ | $ |
| b. | Net transition asset or obligation recognized | $ | $ | $ | $ |
| c. | Net prior service cost or credit arising during the period | $ | $ | $ | $ |
| d. | Net prior service cost or credit recognized | $ | $ | $ | $ |
| e. | Net gain and loss arising during the period | $ | $ | $ | $ |
| f. | Net gain and loss recognized | $ | $ | $ | $ |
| g. | Items not yet recognized as a component of net periodic cost – current year | $ | $ | $ | $ |

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

(6) Amounts in unassigned funds (surplus) expected to be recognized in the next fiscal year as components of net periodic benefit cost

| | | Pension Benefits | | Postretirement Benefits | |
|---|---|---|---|---|---|
| | | 20__ | 20__ | 20__ | 20__ |
| a. | Net transition asset or obligation | $ | $ | $ | $ |
| b. | Net prior service cost or credit | $ | $ | $ | $ |
| c. | Net recognized gains and losses | $ | $ | $ | $ |

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(7) Amounts in unassigned funds (surplus) that have not yet been recognized as components of net periodic benefit cost

| | | Pension Benefits | | Postretirement Benefits | |
|---|---|---|---|---|---|
| | | 20__ | 20__ | 20__ | 20__ |
| a. | Net transition asset or obligation | $ | $ | $ | $ |
| b. | Net prior service cost or credit | $ | $ | $ | $ |
| c. | Net recognized gains and losses | $ | $ | $ | $ |

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

(8) Weighted-average assumptions used to determine net periodic benefit cost as of Dec. 31

| | | 20__ | 20__ |
|---|---|---|---|
| a. | Weighted-average discount rate | ______ | ______ |
| b. | Expected long-term rate of return on plan assets | ______ | ______ |
| c. | Rate of compensation increase | ______ | ______ |

Weighted-average assumptions used to determine projected benefit obligations as of Dec. 31:

| | | 20__ | 20__ |
|---|---|---|---|
| d. | Weighted-average discount rate | ______ | ______ |
| e. | Rate of compensation increase | ______ | ______ |

For measurement purposes, a ___ percent annual rate of increase in the per capita cost of covered health care benefits was assumed for 20__. The rate was assumed to decrease gradually to ___ percent in 20__ and remain at that level thereafter.

(9) The amount of the accumulated benefit obligation for defined benefit pension plans was $ _______ for the current year and $ _______ for the prior year.

(10) The company has multiple non-pension postretirement benefit plans. The health care plans are contributory, with participants' contributions adjusted annually; the life insurance plans are noncontributory. The accounting for the health care plans anticipates future cost-sharing changes to the written plan that are consistent with the company's expressed intent to increase retiree contributions each year by ___ percent of the excess of the expected general inflation rate over ___ percent. On December 31, 20__, the company amended its postretirement health care plans to provide long-term care coverage.

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**(NOTE: THIS DOES NOT INCLUDE THE BEGINNING NARRATIVE.)**

(11) Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

| | | 1 Percentage Point Increase | 1 Percentage Point Decrease |
|---|---|---|---|
| a. | Effect on total of service and interest cost components | $ __________ | $ __________ |
| b. | Effect on postretirement benefit obligation | $ __________ | $ __________ |

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(12) The following estimated future payments, which reflect expected future service, as appropriate, are expected to be paid in the years indicated:

| | Year(s) | Amount |
|---|---|---|
| a. | 20__ | $ ________ |
| b. | 20__ | $ ________ |
| c. | 20__ | $ ________ |
| d. | 20__ | $ ________ |
| e. | 20__ | $ ________ |
| f. | 20__ through 20__ | $ ________ |

(13) The Company does not have any regulatory contribution requirements for 20__, however, the company currently intends to make voluntary contributions to the defined benefit pension plan of $245 million in 20__.

(20) See implementation guide for *SSAP No. 102—Pensions* for examples of disclosure.

(21) See implementation guide for *SSAP No. 102—Pensions* for examples of disclosure.

C.

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(1) Fair Value Measurements of Plan Assets at Reporting Date

| Description for each class of plan asset | (Level 1) | (Level 2) | (Level 3) | Total |
|---|---|---|---|---|
| .................................................. | $ .............. | $ .............. | $ .............. | $ .............. |
| .................................................. | .............. | .............. | .............. | .............. |
| .................................................. | .............. | .............. | .............. | .............. |
| .................................................. | .............. | .............. | .............. | .............. |
| Total Plan Assets | $ ________ | $ ________ | $ ________ | $ ________ |

NOTE: See the instructions for this illustration for examples of descriptions of plan assets.

E. Defined Contribution Plan

Insurance company employees are covered by a qualified defined contribution pension plan sponsored by the insurance company.

Contributions of ___ percent of each employee's compensation are made each year. The Company's contribution for the plan was $_____ million and $_____ million for 20___ and 20___, respectively. At December 31, 20___, the fair value of plan assets was $_____ million.