

TO: Subscribers to the NAIC *Annual Statement Instructions* – Health  
FROM: Calvin Ferguson, Senior Insurance Reporting Analyst  
DATE: September 1, 2019  
RE: 2019 Health Annual Statement Instructions

Enclosed please find a complete set of 2019 annual statement instructions. Revisor bars in the left margin identify changes from the previous year. Modifications to these instructions that may occur during the current year are made available on the NAIC website at <https://naic-cms.org/centralapp/blanks.htm>. Information regarding modifications may also be found on the cover page of this manual.

Questions regarding the content of these instructions should be directed to Calvin Ferguson, Senior Insurance Reporting Analyst, at [cferguson@naic.org](mailto:cferguson@naic.org). Order inquiries may be addressed by an NAIC customer service representative at [prodserv@naic.org](mailto:prodserv@naic.org).

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National Association of  
Insurance Commissioners

# Official NAIC Annual Statement Instructions

## Health

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**For the 2019 reporting year  
Printed September 2019**

This guidance is adopted by the NAIC as of June 2019. 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 latest information impacting quarterly and annual statement instructions.

Website: [www.naic.org/cmt\\_e\\_app\\_blanks.htm](http://www.naic.org/cmt_e_app_blanks.htm)



National Association of  
Insurance Commissioners

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publications, visit us at:**

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**EDITOR'S NOTE:**

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

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## INSTRUCTIONS

### For Completing Health Annual Statement Blank

#### FOREWORD

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

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 on applicable page. Include an identifying title with each entry. Report the 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 insufficient 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 44 (overflow page) followed by 44.1, 44.2, 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

<u>ASSETS</u>			
<u>DETAILS OF WRITE-INS AGGREGATED AT LINE 25 FOR OTHER-THAN-INVESTED-ASSETS</u>			
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		<u>300,000</u>
2599.	TOTAL (Lines 2501 through 2503 plus 2598) (Page 2, Line 25)	\$	1,400,000

<u>Overflow Page</u>			
<u>Page 2 – Continuation</u>			
<u>Balance Sheet Assets</u>			
<u>Remainder of Write-ins Aggregated in Line 25</u>			
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		<u>5,000</u>
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.

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## 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](http://www.naic.org/cmte_e_app_blanks.htm), the alphabetized index for all statement types that is required to be included in the hardcopy of the statement. The above is only required on the March 1 filing, and specifically excludes any supplements.

## GENERAL

The annual statement is to be completed in accordance with the *Annual Statement Instructions and Accounting Practices and Procedures Manual* except to the extent that state law, rules or regulations are in conflict with these publications. In cases of conflict, the health annual statement will be filed pursuant to such state's filing requirements. The domiciliary state's insurance regulatory authority shall maintain full discretion in determining which NAIC annual statement blank must be filed. The annual statement blank filed with the domiciliary state shall be the blank submitted to, and maintained by, the NAIC, and barring conflict as described above, should be filed with all jurisdictions in which the reporting entity is licensed.

### **1. Health Statement Test:**

If a reporting entity completes the health annual statement for the reporting year, the reporting entity must complete the Health Statement Test.

The Health Statement Test is designed to determine whether a reporting entity reports predominantly health lines of business. Health lines include hospital or medical policies or certificates, comprehensive major medical expense insurance and managed care contracts and exclude other health coverage such as credit insurance, disability income coverage, automobile medical coverage, workers' compensation, accidental death and dismemberment policies and long-term care policies.

#### **Passing the Test:**

A reporting entity is deemed to have passed the Health Statement Test if the values for the premium and reserve ratios in the Health Statement Test equal or exceed 95% for both the reporting and prior year.

#### **Failing the Test:**

If a reporting entity, licensed as a life, accident and health or property and casualty insurer in its domiciliary state, is required to file the health annual statement for the reporting year and does not pass the Health Statement Test in the reporting year, it will revert to the annual statement form and risk-based capital report associated with the type of license held in its domestic state in the first quarter of the second year following the reporting year. If a reporting entity, licensed as a health insurer in its domiciliary state, is required to file the health annual statement for the reporting year and does not pass the Health Statement Test in the reporting year, it should continue to file the health annual statement.

#### **Variances from following these instructions:**

If a reporting entity's domestic regulator requires the reporting entity to complete an annual statement form and risk-based capital report that differs from these instructions, the domestic regulator shall notify the reporting entity in writing by June 1 of the year following the reporting year in which a Health Statement Test is submitted.

2. **Date of filing:**

The statement is required to be filed on or before March 1, unless otherwise provided.

3. 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.
4. 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.
5. 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.
6. Printed statements or copies produced by some duplicating process on the actual blanks required by this Department, will be accepted if:
  - a. Bound in covers similar in color to the blanks required by this Department.
  - b. Printed or duplicated by a process resulting in permanent black characters on a good grade of paper of light color; and
  - c. Such statements and all supporting schedules contain all the information required, with the same headings and footnotes, and are of the same size and arrangement, page for page, column for column, and line for line, as in the blanks required by this Department, unless the company is otherwise instructed.

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

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

Schedule A  
Schedule B  
Schedule BA  
Schedule D, Part 1 – (including Part 1A)  
Schedule DA, Part 1  
Schedule DB, Parts A-E  
Schedule E, Parts 1 and 2  
Schedule F, Parts 2 and 3  
Long Term Care Experience Reporting Forms  
Medicare Supplement Insurance Experience Exhibit

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

Photocopied or faxed pages are not acceptable.

### Printing Standards

- a. Commercial printers must be furnished with original laser printer output generated at appropriate laser settings to give the highest print quality (no photocopied or faxed pages).
- b. No font smaller than 8-point type for the annual statement or 6-point type for the Long-Term Care Experience Reporting Forms 1 through 5 and all investment schedules may be used. Ornate fonts may not be used.
- c. Present numbers in non-bold, non-italic type.
- d. Numbers must be non-proportionally spaced.
- e. The annual and quarterly statements must be printed at 9 lines per inch.
- f. Unobtrusive dotted leader lines shall be printed across the page to guide the eye to the reported figures. They should not touch the reported figures.
- g. Slashed zeros (0) shall not be used.
- h. The number of detail write-in lines printed in any detail write-in section shall be three (3). Remaining detail write-in lines, if any, shall be reported on the overflow page.

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

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

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

7. 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.
8. 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.
9. 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.
10. The "include" and "exclude" are examples only and are not intended to be all-inclusive.
11. If this report does not contain the information asked for in the blanks or is not prepared in accordance with these instructions, it will not be considered filed.
12. 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.



13. 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.
14. 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.
15. 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 27, 27.1, 27.2 etc., and Part 2 – Health Interrogatories 28, 28.1, 28.2, 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.

16. Unless otherwise specified, report all alphabetic code and YES/NO responses to interrogatories, exhibits and schedules in solid capital letters.
17. 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.
18. Assets and liabilities shall be offset and reported net only when a valid right of setoff exists and if not prohibited by specific statements of statutory accounting principles. Refer to *SSAP No. 64—Offsetting and Netting of Assets and Liabilities* for accounting guidance.
19. 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 error 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 5, Line 43 Cumulative Effect of Changes in Accounting Principles. The cumulative effect of changing to a new accounting principle is the difference between the amount of 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 and Expenses 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 and Expenses 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 schedules (e.g., Underwriting and Investment Exclusion - Part 2A) are reflected in the current year's schedules with appropriate notations in the Notes to Financial Statements.
20. 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* for accounting principles and disclosure requirements for related party transactions.
21. 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.
22. 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.
23. 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.

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## ACTUARIAL OPINION

1. There is to be included on or attached to Page 1 of the annual statement, the statement of the appointed actuary setting forth his or her opinion relating to claim reserves and any other actuarial items. The appointed actuary must be a qualified health actuary 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. Within five business days of the appointment, the company shall notify the domiciliary commissioner of the name, title (and, in the case of a consulting actuary, the name of the firm) and manner of appointment or retention of each person appointed or retained by the company as an appointed actuary and shall state in the notice that the person meets the requirements of a qualified health actuary. Once these notices are 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 health actuary. "Qualified health actuary," as used herein means a member in good standing of the American Academy of Actuaries, or a person recognized by the American Academy of Actuaries as qualified for such actuarial valuation.

If an actuary who was the appointed actuary is replaced, the insurer shall within five 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 10 business days of the above notification stating whether in the 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, scopes, procedure, 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 insurer shall also in writing request such former actuary to furnish a letter addressed to the insurer stating whether the actuary agrees with the statements contained in the insurer's letter and, if not, stating the reasons he 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 Memorandum 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 Memorandum were made available. A separate Actuarial Opinion is required for each company filing an Annual Statement.

The Actuarial Opinion and the supporting Actuarial Memorandum and work papers must conform to the appropriate Actuarial Standards of Practice (ASOPs), as promulgated by the Actuarial Standards Board.

### 1A. Definitions

"Insurer" means an entity authorized to write accident and health contracts under the laws of any state and which files on the Health Blanket.

"Actuarial Memorandum" means a document or other presentation prepared as a formal means of conveying the appointed actuary's professional conclusions and recommendations, of recording and communicating the methods and procedures, of ensuring that the parties addressed are aware of the significance of the appointed actuary's opinion or findings and that documents the analysis underlying the opinion. The expected content of the memorandum is further described in Section 1C.

### 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 he or she deems the exemption inappropriate.

A copy of the approved exemption must be provided in lieu of the Actuarial Opinion 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 Actuarial Opinion would exceed the lesser of:

- (i) One percent 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 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.

- 1C. The Actuarial Memorandum and underlying actuarial work papers supporting the Actuarial Opinion will be available for regulatory examination for seven years.

The Actuarial Memorandum contains significant proprietary information. It is expected that the Memorandum will be held confidential and is not intended for public inspection. The Memorandum must be available by May 1 of the year following the year-end for which the opinion was rendered or within two weeks after a request from an individual state commissioner.

The Actuarial Memorandum should conform to the documentation and disclosure requirements of the Standards of Practice as promulgated from time to time by the Actuarial Standards Board. The Actuarial Memorandum should contain both narrative and technical components. The narrative component should provide sufficient detail to clearly explain to company management, 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 practitioner in the same field to evaluate the work. This technical component must show the analysis from the basic data, (e.g., claim lags) to the conclusions.

The Memorandum must also include:

- An exhibit which ties to the Annual Statement and compares the actuary's conclusions to the carried amounts;
- Documentation of the required reconciliation from the data used for analysis to the Underwriting and Investment Exhibit, Part 2B;
- Any other follow-up studies documenting the prior year's claim liability and claim reserve run-off as considered necessary by the actuary; and
- Documentation of the assumptions used for contract reserves and any material changes to those assumptions from the assumptions used in the previous memorandum. Such documentation should address any studies which support the adequacy of any margin in such reserves.

2. The Actuarial Opinion must consist of the following sections:

- A TABLE of KEY INDICATORS – alerts the reader to the type of opinion and any changes from the prescribed language;
- IDENTIFICATION section – identifies the appointed actuary;
- SCOPE section – identifies the subjects on which an opinion is to be expressed and describes the scope of the appointed actuary's work;
- RELIANCE section – identifies anyone the actuary has relied upon for the underlying records and/or summaries;
- OPINION section – expresses the appointed actuary's opinion with respect to the subjects identified in the Scope section; and
- RELEVANT COMMENTS section.

Each section must be clearly designated. There is prescribed wording for each section. If the appointed actuary changes this wording or adds additional wording for clarification, the appropriate box in the TABLE of KEY INDICATORS must be appropriately checked. The prescribed wording should be modified only if needed to meet the circumstances of a particular case, and the actuary should, in any case, use language that clearly expresses his or her professional judgment.

3. The TABLE of KEY INDICATORS is to be at the top of the Opinion and the appropriate boxes are to be checked consistent with the remainder of the opinion. The only options are those presented below:

This Opinion is  Unqualified  Qualified  Adverse  Inconclusive

IDENTIFICATION SECTION

Prescribed Wording Only  Prescribed wording with Additional Wording  Revised Wording

SCOPE SECTION

Prescribed Wording Only  Prescribed wording with Additional Wording  Revised Wording

RELIANCE SECTION

Prescribed Wording Only  Prescribed Wording with Additional Wording  Revised Wording

OPINION SECTION

Prescribed Wording Only  Prescribed Wording with Additional Wording  Revised Wording

RELEVANT COMMENTS

Revised Wording

If the Actuarial Memorandum includes "Deviation from Standard" wording regarding conformity with an Actuarial Standard of Practice

4. The IDENTIFICATION section should specifically indicate the appointed actuary's relationship to the company, qualifications for acting as appointed actuary, date of appointment, and should specify that the appointment was made by the Board of Directors, or its equivalent or by a committee of the Board.

A person who is not a Member of the American Academy of Actuaries but is recognized by the Academy as qualified must attach, each year, a copy of the approval letter from the Academy.

This section should contain only one of the following:

For a Member of the American Academy of Actuaries who is an employee of the organization, the opening paragraph of the opinion should contain all the following sentences if the appointed actuary is using the prescribed wording:

"I, (name and title of actuary), am an employee of (named organization) and a member of the American Academy of Actuaries. I was appointed on [date of appointment] in accordance with the requirements of the annual statement instructions. I meet the Academy qualification standards for rendering the opinion."

For a consultant who is a Member of the American Academy of Actuaries, the opening paragraph of the opinion should contain all the following sentences if the appointed actuary is using the prescribed wording:

"I, (name and title of consultant), am associated with the firm of (name of firm). I am a member of the American Academy of Actuaries and have been retained by the (name of organization) to render an opinion with regard to loss reserves, actuarial liabilities and related items. I was appointed on [date of appointment] in accordance with the requirements of the annual statement instructions. I meet the Academy qualification standards for rendering the opinion."

For an employee other than a member of the American Academy of Actuaries, the opening paragraph of the opinion should contain both the following sentences if the appointed actuary is using the prescribed wording:

"I, (name and title), am an employee of (name of organization) and am recognized by the American Academy of Actuaries as qualified to perform actuarial valuations for organizations of this kind. I was appointed on [date of appointment] in accordance with the requirements of the annual statement instructions."

For a consultant other than a member of the American Academy of Actuaries, the opening paragraph of the opinion should contain all the following sentences if the appointed actuary is using the prescribed wording:

"I, (name and title of consultant), am associated with the firm of (name of firm). I am recognized by the American Academy of Actuaries as qualified to perform actuarial valuations for organizations of this kind and have been retained by the (name of organization) with regard to such valuation. I was appointed on [date of appointment] in accordance with the requirements of the annual statement instructions."

5. The SCOPE section should contain only the following statement (including all specified lines even if the value is zero) if the appointed actuary is using the prescribed wording:

"I have examined the assumptions and methods used in determining loss reserves, actuarial liabilities and related items listed below, as shown in the annual statement of the organization as prepared for filing with state regulatory officials, as of December 31, 20\_\_.

- A. Claims unpaid (Page 3, Line 1);
- B. Accrued medical incentive pool and bonus payments (Page 3, Line 2);
- C. Unpaid claims adjustment expenses (Page 3, Line 3);
- D. Aggregate health policy reserves (Page 3, Line 4) including unearned premium reserves, premium deficiency reserves and additional policy reserves from the Underwriting and Investment Exhibit, Part 2D;
- E. Aggregate life policy reserves (Page 3, Line 5);
- F. Property/casualty unearned premium reserves (Page 3, Line 6);
- G. Aggregate health claim reserves (Page 3, Line 7);
- H. Any other loss reserves, actuarial liabilities, or related items presented as liabilities in the annual statement; and
- I. Specified actuarial items presented as assets in the annual statement."



Items H and I are not intended to include the liabilities and assets associated with benefits provided to employees of the organization, or the organization's directors or trustees, except to the extent that such benefits are provided through insurance or annuity contracts of a type that the organization is authorized to issue in the ordinary course of its business. For example, liabilities for employee pensions generally would not be within the scope of the Actuarial Opinion. However, if the organization is licensed to issue life insurance, then liabilities arising from life insurance policies or certificates issued by the organization to its employees would be within the scope of the Actuarial Opinion just as would the comparable liabilities arising from policies or contracts issued to unrelated parties.

If there are any items included in items H or I, they should be listed using appropriate annual statement captions and line references. The phrase "Not Applicable" should be placed under the item description for either item H or I if there is nothing to be listed. Any listings under items H and I do not constitute either "additional wording" or "revised wording" for purposes of the Table of Key Indicators.

If for either item H or item I there is more than one line item to be listed, the line items under the general H or I heading should be numbered sequentially.

The amounts of any assets listed under item I should be the gross amount of the asset (Page 2, Column 1 of the Annual Statement), not the net admitted amount (Page 2, Column 3).

For items A through G listed in the SCOPE section and each sub-line for items H and I, the item label should be followed by the amount of that item as reported in the annual statement. The stated amounts do not constitute either "additional wording" or "revised wording" for purposes of the Table of Key Indicators. Where the phrase "Not Applicable" is used in item H or item I, it means that there are no such items to be included in the Opinion, so there should be no value shown as a stated amount.

For example:

I. Specified actuarial items presented as assets in the annual statement, as follows:

1. Accrued retrospective premiums (Page 2, Line 15.3, column 1)

6. The RELIANCE section should contain only one of the following if the appointed actuary is using the prescribed wording:

If the appointed actuary has examined the liability records, the reliance section should include only the following statement:

"My examination included such review of the actuarial assumptions and actuarial methods and of the underlying basic liability records and such tests of the actuarial calculations as I considered necessary. I also reconciled the underlying basic liability records to the Underwriting and Investment Exhibit, Part 2B of the company's current annual statement."

If the appointed actuary has not examined the underlying records, but has relied upon data (e.g., asset or liability records) prepared by the company, the reliance section should include only the following statement:

"In forming my opinion on [specify types of reserves] I relied upon data prepared by [name and title of company officer certifying liability records or other data] as certified in the attached statements. I evaluated that data for reasonableness and consistency. I also reconciled that data to the Underwriting and Investment Exhibit, Part 2B of the company's current annual statement. In other respects, my examination included review of the actuarial assumptions and actuarial methods used and tests of the calculations I considered necessary."

Attached to the appointed actuary's opinion should be a statement by each person relied upon and a precise identification of the items subject to reliance. In addition, the persons on whom the appointed actuary relies shall each provide a certification that precisely identifies the items on which the person is providing information and a statement as to the accuracy, completeness or reasonableness, as applicable, of the items. This certification shall include the signature, title, company, address and telephone number of the person rendering the certification, as well as the date on which it is signed.

7. The OPINION section should include only the following statement if the appointed actuary is using the prescribed wording:

"In my opinion, the amounts carried in the balance sheet on account of the items identified above:

- A. Are in accordance with accepted actuarial standards consistently applied and are fairly stated in accordance with sound actuarial principles;
- B. Are based on actuarial assumptions relevant to contract provisions and appropriate to the purpose for which the statement was prepared;
- C. Meet the requirements of the Insurance Laws and regulations of the state of [state of domicile] and:

(Use of one the following phrases, as appropriate, is considered prescribed wording. Replacing "[list states]" with an actual list of states in parentheses is also considered prescribed wording.)

are at least as great as the minimum aggregate amounts required by any state,

or

are at least as great as the minimum aggregate amounts required by any state with the exception of the following states [list states]. For each listed state a separate statement of actuarial opinion was submitted to that state that complies with the requirements of that state;

- D. Make a good and sufficient provision for all unpaid claims and other actuarial liabilities of the organization under the terms of its contracts and agreements;
- E. Are computed on the basis of assumptions and methods consistent with those used in computing the corresponding items in the annual statement of the preceding year-end; and
- F. Include appropriate provision for any actuarial claims that ought to be established.

The Underwriting and Investment Exhibit Part 2 was reviewed for reasonableness and consistency with the applicable Actuarial Standards of Practice.

Actuarial methods, considerations, and analyses used in forming my opinion conform to the relevant Standards of Practice as promulgated from time to time by the Actuarial Standards Board, which standards form the basis of this statement of opinion."

8. The opinion may include a RELEVANT COMMENTS section if the actuary so desires. For example, if there has been any material change in the assumptions and/or methods from those previously employed, a portion of this section can describe that change in the statement of opinion by including a description of the changes such as:

"A material change in assumptions (and/or methods) was made during the past year but such change accords with accepted actuarial standards." A brief description of the change should follow. A more detailed analysis should be contained in the Actuarial Memorandum.

The addition of new coverages requiring underlying assumptions that differ from assumptions used for prior coverages is not a change in assumption within the meaning of this paragraph.

One or more additional paragraphs may be needed in individual cases to:

- Address topics of regulatory importance;
- State a qualification of his or her opinion, if the actuary considers it necessary; or
- Explain some aspect of the annual statement that is not already sufficiently explained.

9. If the appointed actuary is able form an opinion that is not qualified, adverse or inconclusive as those terms are defined below, he or she should issue a statement of unqualified opinion. If the opinion is adverse, qualified or inconclusive, the appointed actuary should issue an adverse, qualified or inconclusive opinion explicitly stating the reason(s) for such opinion. In all circumstances the category of opinion should be explicitly identified in the TABLE of KEY INDICATORS section of the Actuarial Opinion.

An adverse opinion is an actuarial opinion in which the appointed actuary determines that the reserves and liabilities are not good and sufficient. (An adverse opinion does not meet item D of Section 7.)

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 opinion. Such a qualified opinion should state whether the stated reserve amount makes a good and sufficient 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. (A qualified opinion does not meet one or more of the items A, B, C or F of Section 7.)

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 should issue an inconclusive opinion. An inconclusive opinion shall include a description of the reasons a conclusion could not be reached.

10. The Actuarial Opinion 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:

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Signature of Actuary

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Printed Name of Actuary

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Address of Actuary

---

Telephone number of Actuary

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Date Opinion was Rendered

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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*.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS<sup>1</sup>

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, 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 expected to have an impact upon future operations.

<sup>1</sup> 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, 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, 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 detailed 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 horizon.
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 the 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:
- 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;
  - 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;
  - Amounts receivable or payable, and revenues, expenses, and cash flows resulting from the arrangements;
  - 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;
  - The amounts and key terms and conditions of purchase and sale agreements between the reporting entity and the counterparties in any such arrangements; and
  - 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 disclosures 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 the 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.

*Not for Distribution*



**JURAT PAGE**

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

**NAIC Group Code**

**Current Period**

Enter the NAIC Group Code for the current filing.

**Prior Period**

Enter the NAIC Group Code for the prior quarter.

**State of Domicile or Port of Entry**

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

**Country of Domicile**

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

**Commenced Business**

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

**Statutory Home Office**

As identified with the Certificate of Authority in domiciled state.

**Main Administrative Office**

Location of the reporting entity's main administrative office.

**Mail Address**

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

**Primary Location of Books and Records**

Location where examiners may review records during an examination.

**Internet Website Address**

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



## Statutory Statement Contact

### Name & Email

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

### Telephone Number & Fax Number

Telephone and fax number should include area code and extension.

## Officers, Directors, Trustees

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

## Statement of Deposition

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

## Signatures

Complete the Jurat signature requirements in accordance with the requirements of the domiciliary state. Direct any questions concerning signature requirements to the 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](http://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 <i>SSAP No. 26R—Bonds</i> and <i>SSAP No. 43R—Loan-Backed and Structured Securities</i> .
			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. 30R—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. 41—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 owned 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 6.

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. 10—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. 21R—Other Admitted Asset* 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. 21R—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. 5—Title Insurance* and *SSAP No. 53—Property Casualty Contracts – Premiums*. Refer to *SSAP No. 6R—Property and Casualty Reinsurance*, and *SSAP No. 6IR—Life, Deposit-Type Reinsurance, 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 – Amount 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 of 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 credited 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 16.1.

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 Benefit 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 Benefit 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 asset, 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. 2—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 – Receivable from Parent, Subsidiaries and Affiliates
- Include: Unsecured current accounts receivable from parent, subsidiaries and affiliates.
- Include: 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 1.

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 1A).

**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 contracts. Refer to *SSAP No. 62R—Property and Casualty Reinsurance*.

Other Receivables – Report any other reimbursements 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. 402—Pensions*, for guidance.

Receivables for securities not received within 10 days of the settlement date are classified as other-than-invested-assets and nonadmitted per *SSAP No. 21R—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.

Deferred assets for hedging relationships qualifying for and applying the special accounting treatment described in *SSAP No. 108*. See *SSAP No. 108—Derivative Hedging Variable Annuity Guarantees* for guidance.

**LIABILITIES, CAPITAL AND SURPLUS**

Column 1	–	Covered	
		Include:	Liability categories not included in Column 2. State statute or regulation may define these liabilities.
Column 2	–	Uncovered	
		Include:	The liabilities for the costs to the reporting entity for health care services that are the obligation of the reporting entity, for which an enrollee may also be liable in the event of the reporting entity's insolvency and for which no alternative arrangements have been made that are acceptable to the commissioner (director). These costs will vary in type and amount depending on the arrangements of the reporting entity. They may include out-of-area services, referral services, and hospital services.
		Exclude:	Services when a provider has agreed not to bill the enrollee even though the provider is not paid by the reporting entity.  Services that are guaranteed, insured or assumed by a person or organization other than the reporting entity.
Line 1	–	Claims Unpaid (less \$ ____ reinsurance ceded)	
		Include:	Claims reported and in the process of adjustment.  Percentage withholdings from payments made to contracted providers.  Incurred but not reported losses (IBNR).  Recoverables for anticipated coordination of benefits (COB) and subrogation.
		Exclude:	Liabilities relating to uninsured plans and the uninsured portion of partially insured plans.  Medical incentives under contractual arrangements with providers.
			Column 3 should equal the amount reported in the Underwriting and Investment Exhibit, Part 2A, Column 1, Line 4. Column 3 plus the inside amount should equal Exhibit 4, Column 7, Line 0799999.
			Refer to <i>SSAP No. 55—Unpaid Claims, Losses and Loss Adjustment Expenses</i> for accounting guidance.
Line 2	–	Accrued Medical Incentive Pool and Bonus Amounts	
		Include:	Liability for arrangements with providers and other risk sharing arrangements whereby the reporting entity agrees to share savings with contracted providers.
		Exclude:	Percentage withholdings from providers that are reported with claims unpaid.
			Column 3 should equal the amount reported in Underwriting and Investment Exhibit, Part 2, Column 1, Line 5.
			Refer to <i>SSAP No. 55—Unpaid Claims, Losses and Loss Adjustment Expenses</i> for accounting guidance.

Line 3 – Unpaid Claims Adjustment Expenses

This reserve should provide for the estimated expenses necessary to adjust all unpaid claims, without consideration of payments made to third-party administrators, management companies or other entities not specifically covered by a reinsurance contract.

Refer to *SSAP No. 55—Unpaid Claims, Losses and Loss Adjustment Expenses* for accounting guidance.

Line 4 – Aggregate Health Policy Reserves

**Include:** Aggregate reserves for accident and health policies from Underwriting and Investment Exhibit, Part 2D, Line 8, Column 1 including payables for return premium for contracts subject to redetermination.

**Exclude:** Reserves relating to uninsured plans and the uninsured portion of partially insured plans.

Refer to *SSAP No. 54R—Individual and Group Accident and Health Contracts* for accounting guidance.

Inset amount should be the accrued amount for the medical loss ratio rebate as provided for in Section 2718(b)(1)(A) of the Public Health Service Act net of reinsurance. Per SSAP No. 66, retrospective premium adjustments shall be estimated based on the experience to date.

Inset amount should equal Note 24, Retrospectively Rated Contracts & Contracts Subject to Redetermination, Line 24D(12), Column 5.

Line 5 – Aggregate Life Policy Reserves

**Include:** Aggregate reserves for life policies: generally calculated as the excess of the present value of future benefits to be paid to or on behalf of policyholder, less the present value of future net premiums. These should be reported net of reinsurance.

Refer to *SSAP No. 50—Classifications of Insurance or Managed Care Contracts* and *SSAP No. 51R—Life Contracts* for accounting guidance.

Line 6 – Property/Casualty Unearned Premium Reserves

**Include:** Unearned premium reserves for property/casualty business. These should be reported net of reinsurance.

Refer to *SSAP No. 53—Property Casualty Contracts—Premiums* for accounting guidance.

Line 7 – Aggregate Health Claim Reserves

**Include:** Aggregate reserves for accident and health claims from Underwriting and Investment Exhibit, Part 2D, Line 14, Column 1.

**Exclude:** Reserves relating to uninsured plans and the uninsured portion of partially insured plans.

Refer to *SSAP No. 54R—Individual and Group Accident and Health Contracts* for accounting guidance.

- Line 8 – Premiums Received in Advance
- Refer to *SSAP No. 51R—Life Contracts* and *SSAP No. 54R—Individual and Group Accident and Health Contracts* for accounting guidance.
- Line 9 – General Expenses Due or Accrued
- Include: Amounts due to creditors (trade vendors rather than health care providers) for the acquisition of goods and services on a credit basis.
- Exclude: Any amounts withheld or retained by the company acting as agent for others.
- Amounts should agree with Underwriting and Investment, Part 3, Column 3 + Column 4, Line 27.
- Line 10.1 – Current Federal and Foreign Income Tax Payable and Interest Thereon
- 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 10.2 – Net Deferred Tax Liability
- Refer to *SSAP No. 101—Income Taxes* for accounting guidance.
- Line 11 – Ceded Reinsurance Premiums Payable (not including commissions)
- Include: Reinsurance premiums associated with those in course of payment, premium instalments booked but deferred and not yet due, and accrued retrospective ceded premiums.
- Deduct: Commissions receivable on reinsurance ceded business.
- Line 12 – Amounts Withheld or Retained for the 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).
- If, however, a reporting entity has separate bank accounts for exclusive use in connection with employee bond purchases or escrow F.H.A. payments or other amounts withheld or retained in a similar manner, or other assets deposited to guarantee performance, the related assets should be shown separately on the asset page, and extended at zero value, unless such assets are income-producing for the reporting entity, in which case they should be shown both as assets and liabilities in the statement.
- Exclude: Liabilities relating to uninsured accident and health plans and the uninsured portions of partially insured accident and health plans.
- Refer to *SSAP No. 67—Other Liabilities* for accounting guidance.

Line 13 – Remittances and Items Not Allocated

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

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

Include: Items in suspense.

Line 14 – Borrowed Money and Interest Thereon

Report the unpaid balance outstanding at yearend 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, accrued 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 15 – Amounts Due 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 16	–	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 <i>SSAP No. 64—Offsetting and Netting of Assets and Liabilities</i> .
Line 17	–	Payable for Securities	Include: Amounts that are due to brokers when securities have been purchased, but such amounts have not yet been paid.
Line 18	–	Payable for Securities Lending	Include Liability for securities lending collateral received by the reporting entity that can be reinvested or repledged.
Line 19	–	Funds Held Under Reinsurance Treaties with Reinsurers	Include: Total net amount from Schedule S, Part 4 (Column 12 plus Column 13) plus Schedule S, Part 5 ((Columns 20 and 21) x 1000), to the extent that such funds were included as a part of the net assets on Page 2 of the statement and were not offset by a directly related credit on Page 2.
Line 20	–	Reinsurance in Unauthorized and Certified Companies	Include: Amount from Schedule S, Part 4 (Column 8 minus Column 15) plus Schedule S, Part 5 (Column 26 x 1000), for each reinsurer shown.
Line 21	–	Net Adjustments in Assets and Liabilities due to Foreign Exchange Rates	Include: The appropriate exchange differential applied to the excess, if any, of foreign currency Canadian Insurance Operations assets over foreign currency Canadian Insurance Operations liabilities. This method can be used if the Canadian Insurance Operations result in less than 10% of the reporting entity's assets, liabilities and premium. The difference, if an asset, is recorded on Page 2, Line 22, Net Adjustments in Assets and Liabilities Due to Foreign Exchange Rates, or, if a liability on Page 3, Line 21, Net Adjustments in Assets and Liabilities Due to Foreign Exchange Rates. Refer to <i>SSAP No. 23—Foreign Currency Transactions and Translations</i> for accounting guidance.
Line 22	–	Liability for Amounts Held Under Uninsured Plans	Include: Funds held by an administrator in its general assets for the benefit of an uninsured plan or for funds that may be owed by the administrator in connection with the administration of an uninsured plan.  Pharmaceutical rebates attributable to uninsured plans that have been collected by the reporting entity.  The portion of uncollected pharmaceutical rebates attributable to uninsured plans (included on Page 2, Line 17) that are due to the uninsured plan.  Refer to <i>SSAP No. 47—Uninsured Plans</i> and <i>SSAP No. 84—Health Care and Government Insured Plan Receivables</i> for accounting guidance.

- Line 23 – Aggregate Write-ins for Other Liabilities
- Enter the total of the write-ins listed in schedule Details of Write-ins Aggregated at Line 23 for Other Liabilities.
- Line 25 – Aggregate Write-ins for Special Surplus Funds
- Enter the total of the write-ins listed in schedule “Details of Write-ins Aggregated at Line 25 for Special Surplus Funds.” Refer to *SSAP No. 72—Surplus and Quasi-Reorganizations* for additional guidance.
- Line 26 – 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 common stock is the number of shares that the state has authorized a company to issue.
- Outstanding common stock is the number of authorized shares that have been issued and that are presently held by stockholders (excluding treasury stock).
- Issued common stock is the cumulative total number of authorized shares that have been issued and are outstanding. The number of issued shares includes treasury stock.
- Line 27 – 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 common stock.
- Line 28 – Gross Paid-in and Contributed Surplus
- This line should be the gross amount of paid-in and contributed surplus without reduction for commissions or other expenses in connection with such transactions but reduced by a distribution declared and paid as a return of such surplus.
- Include: Amounts paid and contributed in excess of the par or stated value of shares issued.
- Capital donated to nonprofit organizations. Describe the nature of donation as well as any restrictions on this capital in the Notes to Financial Statements.
- Exclude: Loans.

Line 29 – 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 costs to operations when incurred.

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

Line 30 – 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 30 for Other-Than-Special Surplus Funds.

Line 31 – Unassigned Funds (Surplus)

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

**Include but not limited to:**

The cumulative effect of Net Income, Unrealized Capital Gains and Losses on Investments, Effect of Exchange Rate Fluctuations, Nonadmitted Assets, Provision for Reinsurance, Dividends to Stockholders, Changes in Accounting Principles, Correction of an Error, Stock Issuance Expenses, Change in Surplus as a Result of Reinsurance, Changes in Deferred Tax Assets and Deferred Tax Liabilities, Fund balances for not-for-profit companies. Amounts for quasi-reorganizations. Reductions for unearned employee stock ownership plan shares and Changes in the Additional Minimum Pension Liability.

Refer to *SSAP No. 92—Surplus and Quasi-Reorganizations* and *SSAP No. 102—Pensions* for accounting guidance.

Line 32 – Treasury Stock, 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 spaced provided in Lines 32.1 and 32.2 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 ownership plan.

#### Detail of Write-ins Aggregated at Line 23 for Other Liabilities

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

- Include:
- Uncashed drafts and checks that are pending escheatment to a state.
  - Interest paid in advance on mortgage loans, rents paid in advance and retroactive reinsurance amounts, if any.
  - Servicing liabilities as described in *SSAP No. 103R—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*.
  - Unearned compensation for employee stock ownership plan stock options issued and stock purchase and award plans. Refer to *SSAP No. 102—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.

#### Details of Write-ins Aggregated at Line 25 for Special Surplus Funds

- Include:
- Voluntary and general contingency reserves and subscriber accounts that represent individual subscriber contributions.
  - Estimated subsequent year assessment for the federal Affordable Care Act (ACA) Section 9010 fee for the data year reclassified from unassigned surplus. See *SSAP No. 9010—Affordable Care Act Section 9010 Assessment* for accounting guidance.

#### Details of Write-ins Aggregated at Line 30 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. List separately the aggregate amount of all surplus notes required, or those that are a prerequisite for purchasing an insurance policy and that are held by the policyholder.

## STATEMENT OF REVENUE AND EXPENSES

Report fully accrued revenue and expenses as defined below, for the period. Report uncovered expenses appropriately for medical, hospital and administration. Lines 9 through 13 should be reported gross of withholds and net of applicable coordination of benefits, deductibles, co-payments, risk share, and provider discounts.

Column 1 – Uncovered Expenses

Costs discussed previously in defining uncovered liabilities.

Line 1 – Member Months

Column 2 should equal Exhibit 1, Enrollment by Product Type, Line 7, Column 6.

Line 2 – Net Premium Income (including \$\_\_\_\_ non-health premium income)

Should equal the total premiums reported in the Underwriting and Investment Exhibit, Part 1, Line 12, Column 4, direct written premiums plus reinsurance assumed less reinsurance ceded.

Written premium is defined as the contractually determined amount charged by the reporting entity to the policyholder for the effective period of the contract based on the expectation of risk, policy benefits, and expenses associated with the coverage provided by the terms of the insurance contract. For health contracts without fixed contract periods, premiums written will be equal to the amount collected during the reporting period plus uncollected premiums at the end of the period less uncollected premiums at the beginning of the period.

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

Line 3 – Change in Unearned Premium Reserves and Reserve for Rate Credits

Exclude: Reserves relating to uninsured plans and the uninsured portion of partially insured plans.

Line 4 – Fee-for-Service (net of \$\_\_\_\_ medical expenses)

Include: Revenue recognized by the reporting entity for provision of health services to non-members by reporting entity providers and to members through provision of health services excluded from their prepaid benefit packages. Include in the include amount, the medical expenses associated with fee-for-service business.

Line 5 – Risk Revenue

Include: Amounts charged by the reporting entity as a provider or intermediary for specified medical services (e.g., full professional, dental, radiology, etc.) provided to the policyholders or members of another insurer or reporting entity.

Unlike premiums that are collected from an employer group or individual member, risk revenue is the prepaid (usually on a capitated basis) payment, made by another insurer or reporting entity to the reporting entity in exchange for services to be provided or offered by such organization.

Line 6 – Aggregate Write-ins for Other Health Care Related Revenues

Enter the total of the write-ins listed in schedule Details of Write-ins Aggregated at Line 6 for Other Health Care Related Revenues.

Line 7 – Aggregate Write-ins for Other Non-health Revenues

Enter the total of the write-ins in schedule Details of Write-ins Aggregate at Line 7 for Other Non-health Revenues.

Line 9 – Hospital/Medical Benefits

**Include:** Expenses for physician services provided under contractual arrangement to the reporting entity.

Salaries, including fringe benefits, paid to physicians for delivery of medical services. Capitation payments by the reporting entity to physicians for delivery of medical services to reporting entity subscribers.

Fees paid by the reporting entity to physicians on a fee-for-service basis for delivery of medical services to reporting entity subscribers. This includes capitated referrals.

Inpatient hospital costs of routine and ancillary services for reporting entity members while confined to an acute care hospital.

Charges for non-reporting entity physician services provided in a hospital are included in this line item only if included as an undefined portion of charges by a hospital to the reporting entity. (If separately itemized or billed, physician charges should be included in outside referrals below.)

The cost of utilizing skilled nursing and intermediate care facilities.

Routine hospital service includes regular room and board (including intensive care units, coronary care units, and other special inpatient hospital units), dietary and nursing services, medical surgical supplies, medical social services, and the use of certain equipment and facilities for which the provider does not customarily make a separate charge.

Ancillary services may also include laboratory, radiology, drugs, delivery room, physical therapy services, other special items and services for which charges are customarily made in addition to a routine service charge.

Skilled nursing facilities are primarily engaged in providing skilled nursing care and related services for patients who require medical or nursing care or rehabilitation service.

Intermediate care facilities are for individuals who do not require the degree of care and treatment that a hospital or skilled nursing-care facility provides, but that do require care and services above the level of room and board.

Report gross of reinsurance. Report net of coordination of benefits, co-payments and subrogation.

**Exclude:** Expenses for medical personnel time devoted to administrative tasks.

Emergency room and out-of-area hospitalization.

All items meeting the definition of Cost Containment Expenses found in *SSAP No. 55—Unpaid Claims, Losses and Loss Adjustment Expenses*.

Line 10	– Other Professional Services	
	Include:	Expenses for other professional providers under contractual arrangement to the reporting entity.  Salaries, as well as fringe benefits, paid by the reporting entity to non-physician providers licensed, accredited or certified to perform specified health services, consistent with state law, engaged in the delivery of medical services.  Compensation to personnel engaged in activities in direct support of the provision of medical services. For example, include compensation to pharmacists, dentists, psychologists, optometrists, podiatrists, extenders, nurses, clinical personnel such as ambulance drivers and technicians.
	Exclude:	Professional services not meeting this definition. Report these services as administrative expenses. For example, include compensation to paraprofessionals, janitors, quality assurance analysts, administrative supervisors, secretaries to medical personnel and medical record clerks.  Prescription drugs.  All items meeting the definition of Cost Containment Expenses found in <i>SSAP No. 55—Unpaid Claims, Losses and Loss Adjustment Expenses</i> .
Line 11	– Outside Referrals	
	Include:	Expenses for providers not under arrangement with the reporting entity to provide services, such as consultations, or out-of-network providers.
Line 12	– Emergency Room and Out-of-Area	
	Include:	Expenses for other health delivery services including emergency room costs incurred by members for which the reporting entity is responsible and out-of-area service costs for emergency physician and hospital.  In the event a member is admitted to the health care facility immediately after seeking emergency room service, emergency service expenses are reported in this line, the expenses after admission are reported in the hospital/medical line, provided the member is seeking services in the service area. Out-of-area expenses incurred, whether emergency or hospital, are reported in this line.
Line 13	– Prescription Drugs	
	Include:	Expenses for Prescription Drugs and other pharmacy benefits covered by the reporting entity.
	Exclude:	Pharmaceutical rebates relating to insured plans.
	Exclude:	Prescription drug charges that are included in a hospital billing which should be classified as Hospital/Medical Benefits on Line 9.
Line 14	– Aggregate Write-ins for Other Hospital and Medical	
		Enter the total of the write-ins listed in schedule Details of Write-ins Aggregated at Line 14 for Other Medical and Hospital.

Line 15 – Incentive Pool, Withhold Adjustments and Bonus Amounts

This category is for adjusting the full medical expenses reported by means of both debit and credit entries. For example, report physician withholds forfeited to the reporting entity as a credit entry. Report amounts incurred due to an arrangement whereby the reporting entity agrees to utilization savings with a provider as a debit entry.

Line 17 – Net Reinsurance Recoveries

Amounts recovered and recoverable from reinsurers on paid losses.

Include: Amounts related to assumed and ceded business.

Line 19 – Non-Health Claims (net)

Include: Claims for life or property/casualty insurance, net of reinsurance.

Line 20 – Claims Adjustment Expenses, Including \$\_\_\_ Cost Containment Expenses

All expenses incurred in connection with the recording, adjustment and settlement of claims. This includes the total of the expense classification “Other Claim Adjustment Expenses” and all “Cost Containment Expenses” in the Underwriting and Investment Exhibit, Part 3, Analysis of Expenses.

Cost Containment Expenses and Other Claim Adjustment Expenses have been defined in *SSAP No. 55—Unpaid Claims, Losses and Loss Adjustment Expenses*. Refer to SSAP No. 55 for accounting guidance.

The inset amount should equal Column 1, Line 26, Underwriting and Investment Exhibit Part 3.

Line 21 – General Administrative Expenses

Equals the amount reported in Underwriting and Investment Exhibit, Part 3, Column 3, Line 26. Refer to *SSAP No. 70—Allocation of Expense* for accounting guidance.

Exclude: All expenses related to cost containment activities in accordance with *SSAP No. 55—Unpaid Claims, Losses and Loss Adjustment Expenses*.

Line 22 – Increase in Reserves for Life and Accident and Health Contracts (including \$\_\_\_ increase in reserves for life only)

Include: Increase in policy reserves.

Change in premium deficiency reserve.



Line 25	–	Net Investment Income Earned
	Include:	<p>Investment income earned from all forms of investments, including investment fees earned relating to uninsured plans.</p> <p>Dividends from Subsidiary Controlled and Affiliated (SCA) entities, joint ventures, partnerships and limited liability companies, less investment expenses, taxes (excluding federal income taxes), licenses, fees, depreciation on real estate and other invested assets.</p> <p>Investment income credited to uninsured plans.</p> <p>Interest on borrowed money.</p>
	Exclude:	<p>Capital gains and losses on investments.</p> <p>Equity in undistributed income or loss of SCA entities, joint ventures, partnerships and limited liability companies as defined in <i>SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities</i> and <i>SSAP No. 48—Joint Ventures, Partnerships and Limited Liability Companies</i>.</p>
Line 26	–	Net Realized Capital Gains (Losses) Less Capital Gains Tax of _____
	Include:	Realized investment related foreign exchange gains/losses.
	Exclude:	Unrealized capital gains/losses.
Line 28	–	Net Gain or (Loss) from Agents' or Premium Balances Charged Off
	Include:	Agents' or premium balances determined to be uncollectible and written off as losses. Also include recoveries during the current year on balances previously written off.
Line 29	–	Aggregate Write-ins for Other Income or Expenses
		Enter the total of the write-ins listed in schedule Details of Write-ins Aggregated at Line 29 for Other Income or Expenses.
Line 31	–	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 periods.
Line 32	–	Net Income (Loss)
		Excess or deficiency of total revenues over total expenses adjusted for extraordinary items and less federal taxes for period.

Detail of Write-ins Aggregated at Line 6 for Other Health Care Related Revenues

Include: Revenue from sources not covered in the other revenue accounts.

Detail of Write-ins at Line 7 for Other Non-Health Revenues

Include: Revenue from life and property/casualty business (non-premium amounts).  
Gains losses on fixed assets.

Details of Write-ins Aggregated at Line 14 for Other Hospital and Medical

Include: Other hospital and medical expenses not covered in the other claims accounts.

Details of Write-ins Aggregated at Line 29 for Other Income or Expenses

Include: As income, interest due from ceding reinsurers on funds held by the ceding company on behalf of the reporting entity (consumers entity).  
As an offset to expense, interest due from ceding reinsurers on funds held by the ceding company on behalf of the reporting entity.  
Income or expense items not covered in any other account.  
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.  
Fines and penalties of regulatory authorities.

**CAPITAL AND SURPLUS ACCOUNT**

Line 33 – Capital and Surplus Prior Reporting Year

Line 49, Column of the prior year's annual statement.

Line 34 – Net Income (Loss)

Equals the amount reported on Page 4, Line 32.

Line 35 – Change in Valuation Basis of Aggregate Policy and Claim Reserves

Refer to *SSAP No. 54R—Individual and Group Accident and Health Contracts* for accounting guidance.

Line 36 – 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 37 – Change in Net Unrealized Foreign Exchange Capital Gain (Loss)
- Include: Unrealized investment related foreign exchange gains/(losses).
- Exclude: Realized investment foreign exchange gains/losses.
- Refer to *SSAP No. 23—Foreign Currency Transactions and Translations* for accounting guidance.
- Line 38 – 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 39.
- Line 39 – Change in Nonadmitted Assets
- Equals the amount reported on Exhibit of Nonadmitted Assets, Line 3, Column 3.
- Line 40 – Change in Unauthorized and Certified Reinsurance
- Equals the amount reported on Page 3, Line 20, Column 4 less Column 3.
- Line 41 – Change in Treasury Stock
- Prior year treasury stock less current year treasury stock.
- Line 42 – Change in Surplus Notes
- Equals the amount reported on Page 3, Line 9, column 3 less Column 4.
- Line 43 – Cumulative Effect of Changes in Accounting Principles
- Exclude: Corrections of errors in previously issued financial statements. Report corrections of errors on Line 47, Aggregate Write-ins for Gains and Losses in Surplus.
- Changes in accounting estimates. A change in accounting estimate is included in the Statement of Revenue and Expenses.
- Line 44.1 – Capital Paid
- 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 Transfers-Reorganizations* for accounting guidance.
- Line 44.2 – Capital Transferred from Surplus (Stock Dividend)
- Include: The increase in capital resulting from a stock dividend (corresponding to the decrease in surplus shown on Line 45.2).

NOTE: The sum of lines 44.1 through 44.3 should equal the change between years from Liabilities page, lines 26 and 27, current year minus prior year.

- Line 45.1 – Surplus Adjustments Paid In
- Include: Amounts paid over par for capital stock upon issuance.
- Any other infusions of capital/surplus.
- Amounts contributed during the period.
- This should equal the change between years from Liabilities page, Line 28, column 3 minus column 4. Refer to *SSAP No. 72—Surplus and Quasi-Reorganizations* for accounting guidance.
- Line 45.2 – Surplus Transferred to Capital
- Include: The decrease in surplus resulting from a stock dividend (corresponding to increase in capital shown on Line 44.2).
- Line 46 – Dividends to Stockholders
- Report cash dividends declared in the current year.
- Include: Dividends on allocated employee stock ownership plan shares.
- Exclude: Dividends on unallocated employee stock ownership plan shares.
- Line 47 – Aggregate Write-ins for Gains or (Losses) in Surplus
- Enter the total of the write-ins listed in schedule Details of Write-ins Aggregated at Line 47 for Gains or (Losses) in Surplus.
- Line 49 – Capital and Surplus End of Reporting Year
- Equals the amount reported on Page 3, Line 33, Column 3.
- Detail of Write-ins Aggregated at Line 47 for Gains or (Losses) in Surplus
- Include: Changes in the additional minimum pension liability. Refer to *SSAP No. 102—Pensions* for accounting guidance.
- Corrections of errors in previously issued financial statements.
- Other gains and losses not covered in the other Capital and Surplus categories. Include items such as net proceeds from life insurance on employees.
- 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 Revenue.

## CASH FLOW

The Statement of Cash Flow is prepared using the direct method consistent with the Statement of Revenue and Expenses, excluding the effect of current and prior year accruals. All revenue, expenditures, purchase 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 this change. Note that the Worksheets are designed to take into account all lines of the Assets and Liabilities, Capital and Surplus pages, as well as the Statement of Revenue and Expenses.

Amounts generally described as restricted cash or restricted cash equivalents shall be included in the beginning and ending balance in the cash flow statement beginning with 12/31/2019 reporting. Early adoption is allowed. Transfers between cash, cash equivalents, amounts generally described as restricted cash or restricted cash equivalents, and short-term investments are not part of the entity's operating, investing and financing activities, and details of those transfers are not reported as cash flow activities in the statement of cash flows.

### Cash from Operations Worksheet

#### **Ref. #    Premiums Collected Net of Reinsurance**

1.1	Statement of Revenue and Expenses (Page 4 & 5) Line 2 + 35 ( <u>In part</u> for policy reserves), current year	_____
1.2	Assets (Page 2) Line 15 + 16.2 ( <u>In part</u> for amounts related to earned premiums) + 16.3 ( <u>In part</u> for amounts related to earned premiums), Column 1, current year less previous year	_____
1.3	Liabilities (Page 3) Line 4 + 5 + 6 + 8 + 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 Revenue and Expenses (Page 4) Line 25, current year	_____
2.2	Assets (Page 2) Line 4 + 22, Column 1, current year less previous year	_____
2.3	Liabilities (Page 3) Line 9 ( <u>In part</u> for investment related expenses) + 21, 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 Revenue and Expenses (Page 4)	
	Line 4 + 5 + 6 + 7, current year	_____
3.2	Assets (Page 2)	
	Line 16.2 ( <u>In part</u> for all amounts not reported in Line 1.2 above) + 16.3 ( <u>In part</u> for all amounts not reported in Line 1.2 above or 7.2 below) + Line 24 ( <u>In part</u> excluding claim-related receivables included in Line 5.2 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 Revenue and Expenses (Page 4 & 5)	
	Line 18 + 19 + 22 – 35 ( <u>In part</u> for claim reserves), current year	_____
5.2	Assets (Page 2)	
	Line 16.1 + 24 ( <u>In part</u> for claim-related receivables), Column 1, current year less previous year	_____
5.3	Liabilities (Page 3)	
	Line 1 + 2 + 7, 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 Health Entities)

6.1	Statement of Revenue and Expenses (Page 4) current year	_____ (N/A for Health)
6.2	Liabilities (Page 3) current year less previous year	_____ (N/A for Health)
6.3	_____	_____ (N/A for Health)
6.4	Total of 6.1 – 6.2 + 6.3 (Report on Line 6 of the Cash Flow)	_____ (N/A for Health)

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

7.1	Statement of Revenue and Expenses (Page 4) Line 20 + 21 – 28 – 29, current year	_____
7.2	Assets (Page 2) Line 16.3 (In part for commissions and expense allowance due) + 17 + 19, Column 1, current year less previous year	_____
7.3	Liabilities (Page 3) Line 3 + 9 (In part for amounts not included in Line 2.3 above; i.e., non-investment related expenses) + 22, 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 to Health Entities)**

8.1	Statement of Revenue and Expenses (Page 4) current year	_____(N/A for Health)
8.2	Assets (Page 2) current year less previous year	_____(N/A for Health)
8.3	Liabilities (Page 3) current year less previous year	_____(N/A for Health)
8.4	Total of 8.1 + 8.2 – 8.3 (Report on Line 8 of the Cash Flow)	_____(N/A for Health)

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

9.1	Statement of Revenue and Expenses and Capital and Surplus Accounts (Page 4 & 5) Line 31 + 38 + tax amount included in Lines 26, 36 and 37, 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 10.1 + 10.2, 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.

#### Bonds

B1	Change in net admitted asset value for Bonds (Page 2)		
	Column 3 current less previous year		
B2	Change in assets nonadmitted for Bonds (Page 2)		
	Column 2 current less previous year		
B3	Sum of B1 + B2		
B4	Cost of Acquired		
	Line 2	Schedule D-Verification Between Years, <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 or 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

**Stocks**

S1 Change in net admitted asset value for Stocks (Page 2)  
 Column 3 current less previous year \_\_\_\_\_

S2 Change in assets nonadmitted for Stocks (Page 2)  
 Column 2 current less previous year \_\_\_\_\_

S3 Sum of S1 + S2 \_\_\_\_\_

S4 Cost of Acquired \_\_\_\_\_  
 Line 2 Schedule D-Verification Between Years, In part for cash acquisition of  
 stocks (Report on Line 13.2 of the Cash Flow) \_\_\_\_\_

S5 Calculate from Schedule D-Verification Between Years  
 Line 4 Unrealized Valuation Increase (Decrease), In part  
 Plus Line 8 Total Foreign Exchange Change in Book/Adjusted Carrying Value, In part  
 Minus Line 9 Current Year's Other-Than-Temporary Impairment, In part \_\_\_\_\_

S6 Total Gain (Loss) on Disposals \_\_\_\_\_  
 Line 5 Schedule D-Verification Between Years, In part \_\_\_\_\_

S7 Consideration on Disposals \_\_\_\_\_  
 Line 6 Schedule D-Verification Between Years, In part for cash disposal of stocks  
 (Report on Line 12.2 of the Cash Flow) \_\_\_\_\_

S8 Amortization of Premiums \_\_\_\_\_  
 Line 7 Schedule D-Verification Between Years, In part \_\_\_\_\_

S9 Accrual of Discount \_\_\_\_\_  
 Line 3 Schedule D-Verification Between Years, In part \_\_\_\_\_

S10 Other amount increases/(decreases) \_\_\_\_\_  
 Include non-cash items not already included in S4 through S9 \_\_\_\_\_

S11 Total of S4 + S5 + S6 – S7 – S8 + S9 + S10 \_\_\_\_\_  
 S3 – S11 (If difference is not = 0, identify differences and add to amount(s) in the  
 appropriate line(s) or in S10) \_\_\_\_\_ 0

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

- B4 + S4 = Line 2, Cost of Bonds and Stocks acquired \_\_\_\_\_
- B5 + S5 = Line 4, Unrealized Valuation Increase (Decrease) + Line 8, Total Foreign Exchange Change in Book/Adjusted Carrying Value – Line 9, Current Year’s Other-Than-Temporary Impairment \_\_\_\_\_
- B6 + S6 = Line 5, Total Gains (Losses) \_\_\_\_\_
- B7 + S7 = Line 6, Consideration for Bonds and Stocks Disposed of \_\_\_\_\_

**Mortgage Loans**

- M1 Change in net admitted asset value for Mortgages  
Page 2, Column 3, current year less previous year \_\_\_\_\_
- M2 Change in assets nonadmitted for Mortgages  
Page 2, Column 2, current year less previous year \_\_\_\_\_
- M3 Total of M1 + M2 \_\_\_\_\_

**Schedule B – Verification Between Years**

- M4 Line 2 Cost of Acquired, in part for cash acquisitions (Report on Line 13.3 of the Cash Flow) \_\_\_\_\_
- M5 Line 4 Accrual of Discount \_\_\_\_\_
- M6 Line 5 Unrealized Valuation Increase (Decrease) \_\_\_\_\_  
Plus Line 9 Total Foreign Exchange Change in Book/Adjusted Carrying Value \_\_\_\_\_  
Minus Line 10 Current Year’s Other-Than-Temporary Impairment \_\_\_\_\_
- M7 Line 6 Total Gain (Loss) on Disposals \_\_\_\_\_
- M8 Line 7 Amount Received on Disposals, in part for cash disposals  
(Report on Line 12.3 of the Cash Flow) \_\_\_\_\_
- M9 Line 8 Amortization of Premiums 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, <u>in part</u> for cash acquisitions	
Plus	Line 2.2	Cost of Additional Investments Made, <u>in part</u> for cash investments	
Plus	Line 3	Current Year Change in Encumbrances, <u>in part</u> 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, <u>in part</u> 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, <u>in part</u> 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, <u>in part</u> 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 11 current year less previous year				_____
Plus	Column 3 Line 10 current year less previous year				_____
Plus	Column 3 Line 7 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 11 current year less previous year				_____
Plus	Column 2 Line 10 current year less previous year				_____
Plus	Column 2 Line 7 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 3 less Column 4)	_____
X4	Total of X1 + X2 - X3 (Report absolute value as cash from investments misc. on Line 12.7 if amount is a decrease and Line 13.6 if amount is an increase)	_____

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

1	Change in IMR liability (Page 3, current year less previous year)	_____(N/A for Health)
2	Current period amounts transferred to IMR	_____(N/A for Health)
3	Current period amounts recognized in income (Summary of Operations, Page 4)	_____(N/A for Health)
4	Other amounts increases (decreases)	_____(N/A for Health)
5	Total of 2 - 3 + 4	_____(N/A for Health)
6	1 - 5 (If difference is not = 0, identify differences and add to amount(s) in the appropriate line(s))	_____(N/A for Health)

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

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

Not for Distribution

**Reconcile Unrealized Capital Gains (Losses)**

- 1 Capital and Surplus Account (Page 5)  
Line 36 (In part excluding taxes) + 37 (In part excluding taxes), 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 Revenue and Expenses (Page 4) Line 26, 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 Note and Capital Notes**

- 1.1 Change in Surplus Notes  
Liabilities, Surplus (Page 3) Line 29, 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 on 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 26 + 27, current year less previous year	_____
2.2	Change in Paid in Surplus	
	Liabilities (Page 3) Line 28, current year less previous year	_____
2.3	Change in Treasury Stock	
	Liabilities, Surplus (Page 3) Line 32, 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 14, 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 Health)**

4.1	Change in Deposit-type Contracts	
	Liabilities, Surplus (Page 3), current year less previous year	<u>(N/A for Health)</u>
4.2	_____	<u>(N/A for Health)</u>
4.3	Total of 4.1 + 4.2 (report on Line 16.4 of the Cash Flow)	<u>(N/A for Health)</u>

**Dividends to Stockholders**

5.1	Dividends to Stockholders	
	Capital and Surplus Account (Page 5) Line 46	_____
5.2	Change in Dividends to Stockholders	
	Liabilities, Surplus (Page 3) Line 23 (In part), current year less previous year	_____
5.3	Total of 5.1 – 5.2 (Report on Line 16.5 of the Cash Flow)	_____

**Other Cash Provided (Applied)**

6.1	Aggregate Write-ins for Gains (Losses) to Surplus	
	Capital and Surplus Account (Page 5) Line 47, current year	_____
6.2	Change in Misc. Liabilities	
	Liabilities, Surplus (Page 3) Line 12 + 13 + 15 + 16 + 18 + 19 + 23 (In part excluding dividends included in Line 5.2 above) + 25 + 30, current year less previous year	_____
6.3	Change in Misc. Assets	
	Assets (Page 2) Lines 20 + 21 + 23 + 24 (In part for amounts not included elsewhere) + 25 (In part for amounts not included elsewhere), Column 1, current year less previous year	_____
6.4	Transfer from Unassigned Surplus to lines included in 6.2	_____
6.5	Depreciation (included on Line 7.4 from Operations Worksheet)	_____
6.6	_____	_____
6.7	Total of 6.1 + 6.2 - 6.3 - 6.4 + 6.5 + 6.6 (Report on Line 16.6 of the Cash Flow)	_____

**Reconcile Change in Liability in Reinsurance in Unauthorized and Certified Companies**

1	Change in Liability for Reinsurance in Unauthorized and Certified Companies	
	Capital and Surplus Account (Page 5) Line 40, current year	_____
2	Change in Liability for Reinsurance in Unauthorized and Certified Companies	
	Liabilities, Surplus (Page 3) Line 20, 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

**Reconcile Nonadmitted Assets**

1	Capital and Surplus Account	
	Page 5 Line 39 of current year	_____
2	Change 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 5) Line 43 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 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

*Not for Distribution*

## ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

Please refer to the instructions in Statement of Revenues and Expenses for instructions and line descriptions for this Exhibit.

### Riders/Endorsements/Floaters:

If a rider, endorsement or floater acts like a separate policy with separate premium, deductible and limit, then it is to be recorded on the same line of business as if it were a stand-alone policy regardless of whether it is referred to as a rider, endorsement or floater. If there is no additional premium, separate deductible or limit, the rider, endorsement or floater should be reported on the same line of business as the base policy.

Column 1	– Total	
		The amounts in this column are to agree with the corresponding amounts reported on Page 4, Column 2.
Column 2	– Comprehensive (Hospital & Medical)	
	Include:	Business that provides for medical coverages including hospital, surgical and major medical. Include State Children’s Health Insurance Program (SCHIP) Medicaid Program (Title XXI), risk contracts.
	Exclude:	Administrative services only (ASO), other non-underwritten business, administrative services contracts (ASC), federal employees health benefit plan (FEHBP) premiums, Medicare (Title XVIII) and Medicaid (Title XIX) risk contracts, Medicare Supplement, Vision only and Dental only business.
Column 3	– Medicare Supplement	
	Include:	Business reported on the Medicare Supplement Insurance Experience Exhibit of the annual statement.
	Exclude:	Administrative services only (ASO), other non-underwritten business, administrative services contracts (ASC), federal employees health benefit plan (FEHBP) premiums, comprehensive hospital and medical policies, Medicare (Title XVIII) and Medicaid (Title XIX) risk contracts, Vision only and Dental only business.
Column 4	– Dental Only	
	Include:	Policies providing for dental only coverage issued as stand alone dental or as a rider to a medical policy that is not related to the medical policy through premiums, deductibles or out-of-pocket limits.
	Exclude:	Administrative services only (ASO), other non-underwritten business, administrative services contracts (ASC), federal employees health benefit plan (FEHBP) premiums, comprehensive hospital and medical policies, Medicare (Title XVIII) and Medicaid (Title XIX) risk contracts, Medicare Supplement and Vision only business.
Column 5	– Vision Only	
	Include:	Policies providing for vision only coverage issued as stand-alone vision or as a rider to a medical policy that is not related to the medical policy through premiums, deductibles or out-of-pocket limits.
	Exclude:	Administrative services only (ASO), other non-underwritten business, administrative services contracts (ASC), federal employees health benefit plan (FEHBP) premiums, comprehensive hospital and medical policies, Medicare (Title XVIII) and Medicaid (Title XIX) risk contract, Medicare Supplement, and Dental only business.

Column 6	–	Federal Employees Health Benefits Plans (FEHBP)
	Include:	Business allocable to the Federal Employees Health Benefits Plan (FEHBP) premium that are exempted from state taxes or other fees by Section 8909(f)(1) of Title 5 of the United States Code.
	Exclude:	Administrative services only (ASO), other non-underwritten business, administrative services contracts (ASC), comprehensive hospital and medical policies, Medicare (Title XVIII) and Medicaid (Title XIX) risk contracts, Medicare Supplement, Vision only and Dental only business.
Column 7	–	Title XVIII - Medicare
	Include:	Business where the reporting entity charges a premium and agrees to cover the full medical costs of Medicare subscribers. Policies providing Medicare Part D Prescription Drug Coverage through a Medicare Advantage product.
	Exclude:	Administrative services only (ASO), other non-underwritten business, administrative services contracts (ASC), federal employees health benefits plan (FEHBP) premiums, comprehensive hospital and medical policies, Medicaid (Title XIX) risk contracts, Medicare Supplement, Vision only and Dental only business. Policies providing stand alone Medicare Part D Prescription Drug Coverage.
Column 8	–	Title XIX - Medicaid
	Include:	Business where the reporting entity charges a premium and agrees to cover the full medical costs of Medicaid subscribers.
	Exclude:	Administrative services only (ASO), other non-underwritten business, administrative services contracts (ASC), federal employees health benefits plan (FEHBP) premiums, comprehensive hospital and medical policies, Medicare (Title XVIII) risk contracts, Medicare Supplement, Vision only and Dental only business.
Column 9	–	Other Health
	Include:	Other health coverages such as stop loss, disability income, long-term care and prescription drug plans and coverages not specifically addressed in any other columns. Policies providing stand alone Medicare Part D Prescription Drug Coverage.  On Line 20, expenses and reimbursements from administrative services only (ASO), other non-underwritten business and administrative services contracts (ASC).
	Exclude:	Policies providing Medicare Part D Prescription Drug Coverage through a Medicare Advantage product.
Column 10	–	Other Non-health
	Include:	Life and property/casualty coverages.

*Not for Distribution*

## UNDERWRITING AND INVESTMENT EXHIBIT

### PARTS 1, 2, 2A, 2B, AND 2C

Refer to *SSAP No. 54R—Individual and Group Accident and Health Contracts* and *SSAP No. 66—Retrospectively Rated Contracts* for accounting guidance.

- Exclude: From the appropriate lines and columns, those amounts attributable to the Federal Employees Health Benefit Plan (FEHBP) that are exempted from state taxes or other fees by Section 8909(f)(1) of Title 5 of the United States Code.
- Amounts attributable to uninsured plans and the uninsured portions of partially insured plans.

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1 – PREMIUMS

Written premium is defined as the contractually determined amount charged by the reporting entity to the policyholder for the effective period of the contract based on the expectation of risk, policy benefits, and expenses associated with the coverage provided by the terms of the insurance contract. For health contracts without fixed contract periods, premiums written will be equal to the amount collected during the reporting period plus uncollected premiums at the end of the period less uncollected premiums at the beginning of the period.

Column 1 – Direct Business

- Include: Experience rating refunds and return retrospective premiums. Deduct any experience rating refunds and return retrospective premiums paid. Refer to *SSAP No. 66—Retrospectively Rated Contracts* for accounting guidance.
- Accrued return premium adjustments for contracts subject to redetermination.

Column 4 – Net Premium Income

- For companies that record premium on a cash basis, make adjustments for uncollected premiums at the beginning and end of the year to reflect premiums on a written basis.

Line 1 – Comprehensive (Hospital & Medical)

- Include: Policies providing for medical coverages including hospital, surgical and major medical. Include State Children's Health Insurance Program (SCHIP) Medicaid Program (Title XXI), risk contracts.
- Exclude: Administrative services only (ASO), other non-underwritten business, administrative services contracts (ASC), federal employees health benefit plan (FEHBP) premiums, medical only policies, Medicare (Title XVIII) and Medicaid (Title XIX) risk contracts, Medicare Supplement, Vision only and Dental only business.

Line 2	– Medicare Supplement	
	Include:	Business reported in the Medicare Supplement Insurance Experience Exhibit of the annual statement.
	Exclude:	Revenue as a result of an arrangement between the reporting entity and the Centers for Medicare & Medicaid Services (CMS), on a cost or risk basis, for services to a Medicare beneficiary.
Line 3	– Dental Only	
	Include:	Premiums for policies providing for dental only coverage issued as stand alone dental or as a rider to a medical policy that is not related to the medical policy through deductibles or out-of-pocket limits.
Line 4	– Vision Only	
	Include:	Premiums for policies providing for vision only coverage issued as stand alone vision or as a rider to a medical policy that is not related to the medical policy through deductibles or out-of-pocket limits.
Line 5	– Federal Employees Health Benefits Plan (FEHBP)	
	Include:	Net premiums written attributable to the FEHBP.
Line 6	– Title XVIII - Medicare	
	Include:	Revenue as a result of a risk arrangement between the reporting entity and the Centers for Medicare & Medicaid Services (CMS), for services to a Medicare beneficiary. Policies providing Medicare Part D Prescription Drug Coverage through a Medicare Advantage product.
	Exclude:	Medicare Supplement or Medicare wrap-around premiums. Policies providing stand alone Medicare Part D Prescription Drug Coverage.
Line 7	– Title XIX - Medicaid	
	Include:	Revenue resulting from an arrangement between the reporting entity and a Medicaid state agency for services to a Medicaid beneficiary.
Line 8	– Other Health	
	Include:	Other health revenues not included in any other column, including stop loss, disability income and long-term care. Policies providing stand alone Medicare Part D Prescription Drug Coverage.
	Exclude:	ASO (administrative services only) contracts and ASC (administrative service contracts). Refer to SSAP No. 47— <i>Uninsured Plans</i> for accounting guidance. Policies providing Medicare Part D Prescription Drug Coverage through a Medicare Advantage product.
Line 10	– Life	
	Include:	Revenue for life insurance.
Line 11	– Property/Casualty	
	Include:	Revenue for property/casualty insurance.

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 2 – CLAIMS INCURRED DURING THE YEAR**

- Column 9 – Other Health
- Include: Claims incurred for other health lines of business not included in any other column, including stop loss, disability income and long-term care.
- Column 10 – Other Non-health
- Include: Claims incurred for life and property/casualty lines of business.
- Line 1 – Payments During the Year
- Report payments net of pharmaceutical rebates collected and risk sharing amounts collected. Refer to *SSAP No. 84—Health Care and Government Insured Plan Receivables* for accounting guidance.
- Line 1.3 should include only those reinsurance recoveries received during the year.
- Exclude: Medical incentive pools and bonuses.
- Line 2 – Paid Medical Incentive Pools and Bonuses
- Equals Underwriting and Investment, Part 2B, Columns 1 and 2, Line 12.
- Line 3 – Claim Liability December 31, Current Year
- Line 3.3 should include the reinsurance and amounts booked but not yet billed.
- Line 3.4, Column 1 should agree with Page 3, Column 3, Line 1. Should also agree to Underwriting and Investment Exhibit, Part 2A, Column 1, Line 4.4.
- Line 4 – Claim Reserve December 31, Current Year
- Line 4.4 should agree with Page 3, Column 3, Line 7. Should also agree with Underwriting and Investment Exhibit, Part 2D, Column 1, Line 14.
- Line 5 – Accrued Medical Incentive Pools and Bonuses, Current Year
- Column 1 should agree with Page 3, Line 2.
- Line 6 – Net Health Care Receivables
- Report the change between prior year health care receivables and current year health care receivables. The amounts on this line are the gross health care receivable assets, not just the admitted portion. This amount should not include those health care receivables, such as loans or advances to non-related party hospitals, established as prepaid assets that are not expensed until the related claims have been received from the provider.
- Lines 7 and 11 – Amounts Recoverable from Reinsurers
- These amounts should include reinsurance recoveries billed on paid losses but not received.



Line 12 – Incurred Benefits

Line 12.1 = Line 1.1 + Line 3.1 + Line 4.1 – Line 6 – Line 8.1 – Line 9.1

Line 12.2 = Line 1.2 + Line 3.2 + Line 4.2 – Line 8.2 – Line 9.2

Line 12.3 = Line 1.3 + Line 3.3 + Line 4.3 + Line 7 – Line 8.3 – Line 9.3 – Line 11

Line 12.4 = Line 1.4 + Line 3.4 + Line 4.4 – Line 6 – Line 7 – Line 8.4 – Line 9.4 + Line 11

Line 12.1 – Incurred Benefits: Direct

Column 1 minus Column 10, Line 12.1 should agree with the sum of Lines 9 through 14 on the Statement of Revenue and Expenses.

Line 13 – Incurred Medical Incentive Pools and Bonuses

This should agree with Line 2 + Line 5 – Line 10.

Not for Distribution

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 2A – CLAIMS LIABILITY END OF CURRENT YEAR**

Refer to *SSAP No. 55—Unpaid Claims, Losses and Loss Adjustment Expenses* for accounting guidance. Include recoverables for anticipated coordination of benefits and subrogation as a reduction to unpaid claims.

Column 9 – Other Health

Include: Claims liability for other health lines of business not included in any other column, including stop loss, disability income and long-term care.

Column 10 – Other Non-health

Include: Claims liability for life and property/casualty lines of business.

Line 1 – Reported in Process of Adjustment

Include: Liability for all claims that have been reported to the company on or before December 31 of the current year. Provision for claims of the current year or prior years, if any, reported after the date would be made in Line 2 as Incurred but Unreported. Portions of reported claims for which payments are due after December 31 of the current year are reported in Underwriting and Investment Exhibit, Part 2D, Line 9.

Line 2 – Incurred but Unreported

Except where inapplicable, the reserve included in these lines should be based on past experience, modified to reflect current conditions, such as changes in exposure, claim frequency or severity.

Line 3 – Amounts Withheld from Paid Claims and Capitations

Report the amounts withheld from paid claims and capitations that have not been distributed and the anticipated withholds from estimated, incurred but not reported losses.

Line 4.4 – Net Total Claim Liability

This amount should agree to Page 3, Line 1, Column 3.

## **UNDERWRITING AND INVESTMENT EXHIBIT**

### **PART 2B – ANALYSIS OF CLAIMS UNPAID – PRIOR YEAR – NET OF REINSURANCE**

Claims are to include amounts paid or accrued for capitation, and any other means of payment, for medical or other health care services including, under other medical costs, amounts for occupancy, depreciation and amortization as it relates to medical and hospital expenses.

Incentive pool, withhold, and bonus amounts are defined as: amounts to be paid to providers by the Health entity as an incentive to achieve goals such as effective management of care. Some arrangements involve paying an agreed-on amount for each claim, and then paying a bonus at the end of the contract period. Other arrangements involve a set amount to be withheld from each claim, and then paying a portion (which could be none or all) of the withheld amount at the end of the contract period.

For arrangements involving amounts withheld, the claim payments should be recorded net of the withhold, and the unpaid withholds should be held as an additional liability until paid or formally retained. The amount due should be supported by signed agreements and the basis for establishing the liability should be documented when determining the amount of this liability.

#### **Columns 1 and 2**

Enter in Columns 1 and 2, Lines 1 through 8, all payments made during the year. Record actual payments only, net of applicable Coordination of Benefits, deductibles, copayments, pharmaceutical rebates collected, risk share amounts collected, reinsurance, subrogation, and provider discounts. Refer to *SSAP No. 84—Health Care and Government Insured Plan Receivables* for accounting guidance.

Include in Columns 1 and 2, Line 10, the portion of current health care receivables balance relating to claims paid in the current year on insured plans. This would not include those health care receivables, such as loans or advances to non-related party hospitals, established as prepaid assets that are not expensed until the related claims have been received from the provider as the claims have not been paid as of the statement date. Refer to *SSAP No. 84—Health Care and Government Insured Plan Receivables* for accounting guidance.

Include on Line 12 actual payments from provider incentive pools and bonus arrangements or supplemental facility settlements (distributions of utilization savings).

All claim payments made relating to service dates prior to the current reporting year should be reported in Column 1. Report in Column 2 all claim payments for service dates in the current reporting year.

#### **Columns 3 and 4**

Enter in Columns 3 and 4 all claims related liabilities and reserves held at the end of the current year. This includes liability for both reported and unreported claims and should be net of anticipated reductions for coordination of benefits, deductibles, copayment, provider discounts or reinsurance recoveries on unpaid claims.

Include in Columns 3 and 4, Line 10 the portion of current health care receivables of insured plans relating to claims in the process of adjustment, excluding those health care receivables, such as loans or advances to non-related party hospitals, established as prepaid assets that are not expensed until the related claims have been received from the provider. Refer to *SSAP No. 84—Health Care and Government Insured Plan Receivables* for accounting guidance.

Report on Lines 1 through 8 the claims unpaid gross of the actual withholds on paid claims and net of settlement adjustments to prior withholds. Estimated incurred but unreported losses reported on Lines 1 through 8 should be calculated in accordance with *SSAP No. 54R—Individual and Group Accident and Health Contracts* and may include estimations as to return of withhold on claims incurred, but not yet paid. Liability for provider incentive pools and supplemental facility settlements should also be included on Line 12.

Line 9 plus Line 11 of Columns 3 and 4 should agree to Underwriting and Investment Exhibit – Part 2A, Column 1, Line 4.4 plus Underwriting and Investment Exhibit – Part 2D, Column 1, Line 14.

Line 9 plus Line 11, Columns 3 and 4 should equal Page 3, Line 1 plus Line 7, Column 3.

Line 13, Columns 1 through 4, less Column 6 should agree to Page 4, Line 18 plus Line 19, Column 2.

The sum of Columns 3 and 4, Line 13 plus 10 should agree to the sum of Lines 1, 2 and 7, Page 3, Column 3.

Line 8 – Other Health

Report the unpaid claims for other health business not included in any other line. This category includes all unspecified business written under the Company's health line of business authority including stop loss as well as business that does not qualify for the Health Statement Test (e.g., disability income and long-term care).

Line 10 – Health Care Receivables

This line is based on the gross health care receivable, not just the admitted portion.

Columns 1 and 2 report the amounts of health care receivables associated with claims paid during the year, excluding those health care receivables, such as loans or advances to non-related party hospitals, established as prepaid assets that are not expensed until the related claims have been received from the provider.

Columns 3 and 4 report the health care receivable amount attributable to those claims remaining unpaid as of the reporting date. This will include those amounts of pharmaceutical rebates that are estimated in accordance with *SSAP No. 84 – Health Care and Government Insured Plan Receivables* guidelines.

The sum of Columns 1 through 4 on the Underwriting and Investment Exhibit, Part 2B, Line 10 should equal the health care receivables on Exhibit 3, Column 6 plus Column 7, excluding those health care receivables, such as loans or advances to non-related party hospitals, established as prepaid assets that are not expensed until the related claims have been received from the provider. If health care receivables reported on Underwriting and Investment Exhibit, Part 2B are affected by reinsurance, then the sum of Column 1 through Column 4 may be different from the amounts of health care receivables reported on Exhibit 3, which are gross of reinsurance.

If health care receivables are not affected by reinsurance, then Line 10, Column 1 through Column 4 should be no more than Exhibit 3, Line 0799999, Column 6 plus Column 7 and be no less than to Exhibit 3, Line 0399999, Column 6 plus Column 7. If health care receivables are affected by reinsurance, then Line 10, Column 1 through Column 4 should be more/less than Exhibit 3, Line 0799999, Columns 6 plus 7 minus Exhibit 3, Line 0399999, Column 6 and Column 7.

Column 6 reports the amounts of prior year health care receivables, excluding those health care receivables, such as loans or advances to non-related party hospitals, established as prepaid assets that are not expensed until the related claims have been received from the provider.

Note (a) Line 10 reports those health care receivables, such as loans or advances to non-related party hospitals, established as prepaid assets that are not expensed until the related claims have been received from the provider.

Line 11 – Other Non-health

Report the unpaid claims for life and property/casualty business.

Line 12 – Medical Incentive Pools and Bonus Amounts

Include disbursements for incentive pool and bonus amounts in Column 1 and 2. Include liability for incentive pool and bonus amounts in Column 3 and 4.

## **UNDERWRITING AND INVESTMENT EXHIBIT**

### **PART 2C – DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS**

The purpose of this exhibit is to test the adequacy of reserves held on accident and health insurance. The exhibit allows for the development of a five-year trend of losses incurred by a specific year. Payments for medical incentive pool, withhold and bonus arrangements shall be included in claim payments as well as in all calculations in Sections A, B and C.

Complete Part 2C – Sections A, B and C for each Accident and Health line of business (Comprehensive (Hospital & Medical), Medicare Supplement, Dental Only, Vision Only, Federal Employees Health Benefits Plan, Title XVIII Medicare, Title XIX Medicaid, and Other Health), as applicable, as well as a grand total page. Stop Loss, Disability Income and Long-Term Care should be included with Other Health for this exhibit. Report in thousands (000's omitted).

#### **PART 2C – SECTION A PAID HEALTH CLAIMS**

Show cumulative paid claims by year paid and year incurred. Claims incurred prior to the year shown on Line 2 should be included in the appropriate column on Line 1.

NOTE: The “XXX” fields are intentional and are not in error, even though it appears that numbers should be shown.

As an example, Column 2, Line 2 should be the claims incurred in 2015 and paid in 2015 and 2016.

On Line 1, do not include claims paid prior to the year shown on Line 2. Line 1, Column 1 should include any claims incurred prior to the year shown on Line 2 that were paid in the year shown in Column 1. For example, for the current reporting year, Line 1, Column 1 should include 2013 incurred claims paid in 2015, and 2014 incurred claims paid in 2015.

Line 1, Column 2 should include any claims incurred prior to the year shown on Line 2 that were paid in the year shown in Columns 1 and 2. For example, for the current reporting year, Line 1, Column 2 should include 2014 and prior incurred claims paid in 2016, plus the amounts reported in Line 1, Column 1 (cumulative).

#### **PART 2C – SECTION B INCURRED HEALTH CLAIMS**

Columns 1 through 5 – Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year.

For each year shown, enter the cumulative total of claims paid, the end-of-year claim liability, and the end-of-year claim reserve, and accrued medical incentive pool and bonus amounts outstanding.

For example, Column 2, Line 2 will be for claims incurred in 2015, paid in 2015 and 2016, and any remaining liability or aggregate claim reserve remaining on those 2015 claims as of year-end 2016.

Line 1, Column 1 should include any paid claims reported in Section A, Line 1, Column 1 plus any remaining liability or aggregate claim reserve for amounts incurred prior to the year shown on Line 2. Line 1, Column 2 should include paid claim amounts recorded in Section A, Line 1, Column 2, plus any remaining liability or aggregate claim reserve for amounts incurred prior to the year shown in Line 2.

**PART 2C – SECTION C  
INCURRED YEAR HEALTH CLAIMS AND  
CLAIMS ADJUSTMENT EXPENSE RATIO**

This section is designed to show the effects of claim adjustment expenses in relationship to claims and premiums earned. This section will provide a guide for reporting entities in collecting and using the claims adjustment expense data and provide incurred year combined ratio results.

Earned premium reported in Column 1 is on a calendar year basis. Premiums earned, once entered in Column 1 of each part will become “frozen.” No retrospective adjustments are to be made for experience-rated contracts.

Claims incurred should be assigned to the year in which the event occurred that triggered coverage under the contract.

Column 7 is to equal the aggregate claims unpaid, claims reserve and medical incentive pool and bonus amounts unpaid pertaining to the five incurral years presented in Lines 1 through 5. The sum of claims unpaid in Column 7 is expected to represent the ultimate amounts to be paid, including anticipated inflation, and in total is to agree with claims unpaid on Page 3, Line 1 + 2 + 7, Column 3 divided by 1000 (excluding Life and Property/Casualty business).

The sum of unpaid claims adjustment expense, Column 8 in total to agree with unpaid claims adjustment expenses on Page 3, Line 3, Column 3 divided by 1000 (excluding Life and Property/Casualty business).

Claim and claim adjustment expense payments are to be maintained on a cumulative basis.

Include in Columns 3 and 8 claims adjustment expenses meeting the definitions set forth in the instructions for Page 3, Line 3 and Page 4, Line 20 of the Annual Statement. The claim adjustment expense payments paid during the most recent calendar year should be distributed to the various years in which claims were incurred as follows: (1) 50% of the most recent year, (2) 10% to the next most recent year, and (3) the balance to all years, including the most recent, in proportion to the amount of loss payment paid for each year during the most recent calendar year.

To assist preparers in the completion of Part 2C, the following completion chart describes what is to be included in Columns 2, 3, 7 and 8:

**PART 2C – SECTION C – COMPLETION CHART**

<u>Years in which Premium were Earned and Claims were Incurred Expenses</u>		<u>Claim Symptoms</u>	<u>Adjustment Expense Payments</u>	<u>Claims Unpaid</u>	<u>Unpaid Claim Adjustment</u>
1.	2015	Cum Paid thru 2019 on 2015 incurred	Cum Paid thru 2019 on 2015 incurred	Rsvs on 2015 incurred @ YE 2019	Rsvs on 2015 incurred @ YE 2019
2.	2016	Cum Paid thru 2019 on 2016 incurred	Cum Paid thru 2019 on 2016 incurred	Rsvs on 2016 incurred @ YE 2019	Rsvs on 2016 incurred @ YE 2019
3.	2017	Cum Paid thru 2019 on 2017 incurred	Cum Paid thru 2019 on 2017 incurred	Rsvs on 2017 incurred @ YE 2019	Rsvs on 2017 incurred @ YE 2019
4.	2018	Cum Paid thru 2019 on 2018 incurred	Cum Paid thru 2019 on 2018 incurred	Rsvs on 2018 incurred @ YE 2019	Rsvs on 2018 incurred @ YE 2019
5.	2019	Cum Paid thru 2019 on 2019 incurred	Cum Paid thru 2019 on 2019 incurred	Rsvs on 2019 incurred @ YE 2019	Rsvs on 2019 incurred @ YE 2019

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 2D – AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY**

Exclude reserves or other amounts relating to uninsured accident and health plans and the uninsured portion of partially insured accident and health plans from this exhibit.

Column 9 – Other

Include: Stop loss, disability income and long-term care.

Line 1 – Unearned Premium Reserves

Refer to *SSAP No. 54R—Individual and Group Accident and Health Contracts* for accounting guidance.

Line 2 – Additional Policy Reserves

Refer to *SSAP No. 54R—Individual and Group Accident and Health Contracts* for accounting guidance.

Include: Premium deficiency reserve.

Companies must carry a reserve on this line for any policy or block of policies:

- (i) With which level premiums are used, or
- (ii) With respect to which, due to the gross premium structure at issue, the value of future benefits exceeds the value of appropriate future valuation net premiums.

Companies must carry a reserve for any block of contracts for which future gross premiums when reduced by expenses for administration, commissions, and taxes will be insufficient to cover future claims or services.

Line 3 – Reserve for Future Contingent Benefits

Companies must carry a reserve in either this line or Line 10, for any policy that provides for the extension of benefits after termination of the policy or of any insurance hereunder. Such benefits, that actually accrue and are payable at some future date, are predicated on a condition or actual disability that exists at the termination of the insurance and that is usually not known to the insurance company. These benefits are normally provided by contract provision but may be payable because of court decision or of departmental rulings.

An example of the type of benefit for which a reserve must be carried is the coverage for hospital confinement after the termination of an employee's certificate but prior to the expiration of a stated period. This example is illustrative only and is not intended to limit the reserve to the benefits described. Some individual Accident and Health policies may also provide benefits similar to those under the "Extension of Benefits" section of a group policy.

Line 4 – Reserve for Rate Credits, or Experienced Rating Refunds

Report the total of experience rating refunds and refund premium reserves; including premium stabilization, rate credit and other types of experience rating refunds.

Reserves for rate credits, or experience refund reserves, including investment income, should be included in Page 3, Line 4 of the statement.

Include: Accrued return retrospective premiums required by policy terms or law.

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

Refer to *SSAP No. 66—Retrospectively Rated Contracts* for accounting guidance. Per SSAP No. 66, retrospective premium adjustments shall be estimated based on the experience to date.

Line 5 – Aggregate Write-ins for Other Policy Reserves

Enter the total of the write-ins listed in schedule Details of Write-ins Aggregated at Line 5 for Other Policy Reserves.

Line 9 – Present Value of Amounts Not Yet Due on Claims

Include: Reserves for incurred but unreported claims.

Line 10 – Reserve for Future Contingent Benefits

Companies must carry a reserve in either this line or Line 3 for any policy that provides for the extension of benefits after termination of the policy or of any insurance there under. Such benefits, that actually accrue and are payable at some future date, are predicated on a condition or actual disability that exists at the termination of the insurance and that is usually not known to the insurance company. These benefits are normally provided by contract provision but may be payable because of court decisions or of departmental findings.

An example of the type of benefit for which a reserve must be carried is the coverage for hospital confinement after the termination of an employee's certificate but prior to the expiration of a stated period. This example is illustrative only and is not intended to limit the reserve to the benefits described. Some individual Accident and Health policies may also provide benefits similar to those under the "extension of benefits" section of a group policy.

Line 11 – Aggregate Write-ins for Other Claim Reserves

Enter the total of the write-ins listed in schedule Details of Write-ins Aggregated at Line 11 for Other Claim Reserves.

Details of Write-ins Aggregated on Line 5 for Other Policy Reserves

List separately all policy reserves for which there is no pre-printed line.

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

Details of Write-ins Aggregated on Line 11 for Other Claim Reserves

List separately all claim reserves for which there is no pre-printed line.



## **UNDERWRITING AND INVESTMENT EXHIBIT**

### **PART 3 – ANALYSIS OF EXPENSES**

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

Costs for managed care activities must be allocated between claim adjustment expenses and general administrative expenses. Claim adjustment expenses should be allocated to either cost containment expenses, Column 1, or other claim adjustment expenses, Column 2, in accordance with *SSAP No. 55—Unpaid Claims, Losses and Loss Adjustment Expenses*.

Other costs such as network development costs, provider contracting costs and other similarly related costs should be allocated to Columns 1 through 3 as appropriate, in accordance with *SSAP No. 55*.

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

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

- a. If the total payments for claims handling or adjustment services equals or exceeds 10 percent of the "Total Claim Adjustment Expenses Incurred," allocate these costs to the appropriate expense classification items as if these costs had been borne directly by the reporting entity.
- b. Allocate payments for services other than claims handling or adjustment services to the appropriate expense classifications as if these costs had been borne directly by the company, if the total of such fees paid to the non-affiliate(s) equals or exceeds 10 percent of Column 3, Line 26. If the total is less than 10 percent, the company may report the payments on Line 14.

The total management and service fees incurred attributable to affiliates and non-affiliates shall be reported in the footnote to Underwriting and Investment Exhibit – Part 3, and the method(s) used for allocation shall be disclosed in the Notes to Financial Statements. The reporting entity shall use the same method(s) on a consistent basis. Refer to *SSAP No. 70—Allocation of Expenses* for accounting guidance.

Line 1 – Rent

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

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

**Deduct:** Rent under sublease.

**Exclude:** These items for health care delivery.

Line 2 – Salaries, Wages and Other Benefits

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

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

Agency compensation other than commissions.

Payments by reporting entity under a program for pension, stock options, purchases, and award plans (including change in quoted market value) and total and permanent disability benefits, life insurance benefits, accident, health, hospitalization, medical, surgical, or other temporary disability benefits under a self-administered or trusteed plan or for the purchase of annuity or insurance contracts.

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

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

Meals to employees.

Contributions to employee associations or clubs.

Expense and maintenance of recreation grounds.

Payments to employees and agents in military service.

Expense of periodical medical or dental examinations, or of medical dispensary, convalescent home or sanitarium for employees and agents.

Earned amounts related to employee stock ownership plans.

Exclude: Contributions or appropriations for past service if reported in Capital and Surplus Account.

Benefit payments. (To be reported in the appropriate item of the Statement of Revenue and Expenses.)

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

Line 3 – Commissions

Include: Collection or service fees, policy fees, membership fees and other fees, Commuted renewal commissions.

Line 4 – Legal Fees and Expenses

Include: Court costs, penalties and all fees or retainers for legal services or expenses in connection with matters before administrative or legislative bodies.

Exclude: Salaries and expenses of company personnel.

Legal expenses associated with investigation, litigation and settlement of policy claims.

Legal fees specifically associated with real estate transactions.

Line 5 – Certifications and Accreditation Fees

Include: Fees associated with the certification and accreditation of a health plan, including but not limited to, fees paid to Joint Commission on Accreditation of Health Care Organizations (JCAHO); National Commission on Quality Assurance (NCQA); American Association for Health Care Certification (Utilization Review Accreditation Commission (URAC)).

Exclude: Rating agencies and other similar organizations.

Line 6 – Auditing, Actuarial and Other Consulting Services

Exclude: Fees for examinations made by State Departments.

Expense of internal audits by company employees.

Line 7 – Traveling Expenses

Include: Traveling expense of officers, other employees, directors and agents, including hotel, meals, telephone, telegraph and postage charges incurred while traveling.

Amounts allowed employees for use of their own cars on company business.

The cost of, or depreciation on, and maintenance and running expenses of company-owned automobiles.

Exclude: Such expenses properly allocated to Real Estate Expenses (Line 21).

Line 8 – Marketing and Advertising

Include: Newspaper, magazine and trade journal advertising for the purpose of solicitation and conservation of business.

Billboard, sign and directory advertising.

Television, radio broadcasting and motion picture advertising, excluding subjects dealing wholly with health and welfare.

All canvassing or other literature, such as pamphlets, circulars, leaflets, policy illustration forms and other sales aids, printed material, etc., prepared for distribution to the public by agents or through the mail for purposes of solicitation and conservation of business.

All calendars, blotters, wallets, advertising novelties, etc., for distribution to the public.

Printing, paper stock, etc., in connection with advertising.

Prospect and mailing lists when used for advertising purposes.

Fees and expenses of advertising agencies related to advertising.

Exclude: Pamphlets on health, welfare and educational subjects.

Advertising required by law, regulation or ruling except to the extent that it substantially exceeds the space required for compliance.

Salaries and expenses of advertising department.

Help wanted advertisements.

Advertising in connection with investments.

Line 9 – Postage, Express, and Telephone

Include: Freight and cartage, cables, radiograms and teletype.

Charges for use, installation and maintenance of related equipment if not included elsewhere.

Line 10 – Printing and Office Supplies

Expenses included in this line may be reported on a functional basis.

Include: Policy forms, riders, supplementary contracts, applications, etc., rate books, instruction manuals, punch-cards, house organs, and all other printed material that is not required to be included in any other expense classification.

Office supplies, pamphlets on health, welfare and educational subjects, annual reports to policyholders and stockholders if not included in Line 8.

Books, newspapers, periodicals, etc., including investment tax and legal publications and information services, and including all such material for company's law department and libraries.

Line 11	–	Occupancy, Depreciation and Amortization
	Include:	The amount of depreciation and amortization expense that is directly associated with administrative services. Expenses associated with administrative services include the costs of occupancy to the health entity that are directly associated with health administration. These include the costs of using a facility, fire and theft insurance, utilities, maintenance, lease, etc.
	Exclude:	The cost or depreciation of equipment used by employees handling maintenance and repair work on company-occupied property.
Line 12	–	Equipment
	Include:	Rental of all office equipment except for such charges as may be reported in Line 9.
Line 13	–	Cost or Depreciation of EDP Equipment and Software
	Include:	Depreciation and amortization expense for electronic data processing equipment, operating software and non-operating software.
		Refer to <i>SSAP No. 16R—Electronic Data Processing Equipment and Software</i> for accounting guidance.
Line 14	–	Outsourced Services Including EDP, Claims, and Other Services
	Include:	Expenses for administrative services, claim management services, new programming, membership services, and other similar services.
	Exclude:	Services provided by affiliates under management agreements.
Line 15	–	Boards, Bureaus and Association Fees
	Include:	All dues and assessments of organizations of which the reporting entity is a member.  Amounts for employees' and agents' memberships on the reporting entity's behalf.
	Exclude:	Contributions associated with scientific research, disease prevention, or other activity directly pertaining to the welfare of subscribers and the public.
Line 16	–	Insurance, Except on Real Estate
	Include:	Premiums for Workers' Compensation, burglary, holdup, forgery and public liability insurance, fidelity or surety bonds, insurance on contents of company-occupied buildings and all other insurance or bonds not included elsewhere.
Line 17	–	Collection and Bank Service Charges
	Include:	Collection charges on checks and drafts and charges for checking accounts and money orders.

- Line 18 – Group Service and Administration Fees
- Include: Administration fees, service fees, or any other form of allowance, reimbursement of expenses, or compensation (other than commissions) to agents, brokers, applicants, policyholders or third parties in connection with the solicitation, sale, issuance, service and administration of group business.
- Line 19 – Reimbursements by Uninsured Plans
- Report as a negative amount, pharmaceutical rebates of uninsured plans that are received or change in due and uncollected by the reporting entity, to the extent that they are in excess of amounts to be remitted to the uninsured plan, administrative fees, direct reimbursement of expenses, or other similar receipts or credits attributable to uninsured health plans and the uninsured portion of partially insured accident and health plans. Deduct administrative fees and related reimbursements from general administrative expenses or claim adjustment expenses if the administrative services provided include services for claim adjustment expenses as defined in *SSAP No. 56—Unpaid Claims, Losses and Loss Adjustment Expenses*.
- Refer to *SSAP No. 84—Health Care and Government Insured Plan Receivables* for accounting guidance.
- Line 20 – Reimbursements from Fiscal Intermediaries
- Report as a negative amount, administrative fees, direct reimbursement of expenses, or other similar receipts or credits attributable to Medicare, CHIPs, and other federal and local governmental agencies.
- Line 21 – Real Estate Expenses
- Include: The cost of insurance, repairs, maintenance, service, and operation of all real estate properties, whether occupied by the company or not.
- Expenses incurred in the rental of real estate properties.
- Salaries and other compensation of real estate managing agents and their employees.
- Legal fees specifically associated with real estate transactions other than sale; rent, salaries and wages, and other direct expenses of any branch or home office unit engaged solely in real estate work (not real estate and mortgages combined).
- Salaries or wages of janitors, caretakers, maintenance workers and agents in connection with owned real estate.
- Include: Salaries and wages of any other home office, general branch office, or investment branch-office employees. Charge these amounts to salaries and wages, where they will automatically be subject to allocation as “insurance” or “investment.” The same rule applies to other expenses or charges associated with the activities of such employees.
- Line 22 – Real Estate Taxes
- Include: Those taxes directly assessed against property owned by the company. Canadian and other foreign taxes should be included appropriately.

Line 23.1 – State and Local Insurance Taxes

**Include:** Assessments of state industrial boards or other boards for operating expenses or for benefits to sick unemployed persons in connection with disability benefit laws or similar taxes levied by states. Canadian and other foreign taxes are to be included appropriately.

Advertising required by law, regulation or ruling, except advertising associated with investments.

State sales taxes, if company does not exercise option of including such taxes with the cost of goods and services purchased.

State income taxes.

Line 23.2 – State Premium Taxes

**Include:** State taxes based on policy reserves, if in lieu of premium taxes. Canadian and other foreign taxes should be included appropriately.

Any portion of commissions or allowances on reinsurance assumed that represents specific reimbursement of premium taxes.

**Deduct:** Any portion of commissions or allowances on reinsurance ceded that represents specific reimbursement of premium taxes.

Line 23.3 – Regulatory Authority Licenses and Fees

**Include:** Assessments to defray operating expenses of any state insurance department. Canadian and other foreign taxes should be included appropriately.

Fees for examinations by state departments.

**Exclude:** Fines and penalties of regulatory authorities. Report these fines and penalties as a separate item on Page 4, Details of Write-ins Aggregated at Line 29 for Other Income or Expenses.

Line 23.4 – Payroll Taxes

**Include:** Accrued payroll tax including FICA, FUTA, and other federal, state and local payroll taxes.

Line 23.5 – Other

**Include:** Guaranty fund assessments and taxes of Canada or of any other foreign country not specifically provided for elsewhere.

Sales taxes, other than state sales taxes, if company does not exercise option of including such taxes with the cost of goods and services purchased.

Line 24 – Investment Expenses Not Included Elsewhere

**Include:** Only items for which no specific provision has been made elsewhere, (e.g., contributions or assessments for bondholders' protective committees, fees of investment counsel, custodian and trustee fees).

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

**Exclude:** Home office salaries and expenses on account of investment work, salaries and expenses of mortgage loan branch offices.

Legal fees and expenses.

Real Estate expenses properly chargeable to Line 21.

Interest expense incurred for experience rated funds.

Brokerage and other related fees, to the extent that these are included in the actual cost of a bond upon acquisition. Refer to *SSAP No. 26R—Bonds* for accounting guidance.

Line 25 – Aggregate Write-ins for Expenses

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

Line 26 – Total Expenses Incurred

Column 1 + Column 2 should agree with Statement of Revenue and Expenses, Line 20. Column 3 should agree with Statement of Revenue and Expenses, Line 21. Column 4 should agree with the Exhibit of Net Investment Income, Line 11 plus 12.

Details of Write-ins Aggregated on Line 25 for Expenses

List separately all expenses for which there is no pre-printed line.

Enter in Column 4 interest incurred for experience rated refunds.



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## 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 fee.  
Commitment fees, if the loan or bond is not granted or if the commitment is not exercised.  
Nonrefundable fees, other than points.

Deduct: Outgo on such property, unless capitalized or shown in:  
Exhibit 2 or 3 for **life and fraternal companies**  
Underwriting and Investment Exhibit, Part 3 for **property and health companies**  
Operations and Investment Exhibit, Part 3 for **title companies**  
Servicing fees paid to correspondents and others unless included in:  
Exhibit 2 for **life and fraternal companies**  
Underwriting and Investment Exhibit, Part 3 for **property and health companies**  
Operations and Investment Exhibit, Part 3 for **title companies**  
Amortization of premium.

Line 4	–	Real Estate	
		Include:	Income from ownership of Schedule A properties.  Adequate rent for the reporting entity's occupancy, in whole or in part, of its own buildings, and for space therein occupied by agencies.
		Exclude:	Reimbursements of amounts previously capitalized; such amounts should normally be credited to the item to which the expenditure was charged originally.
		Deduct:	Interest on encumbrances.
Line 6	–	Cash, Cash Equivalents and Short-term Investments	
		Include:	Earned investment income on investments for which maturities (or repurchase dates) at the time of acquisition were one year or less.
Line 7	–	Derivative Instruments	
		Include:	Amount of investment income from Schedule D3.
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.

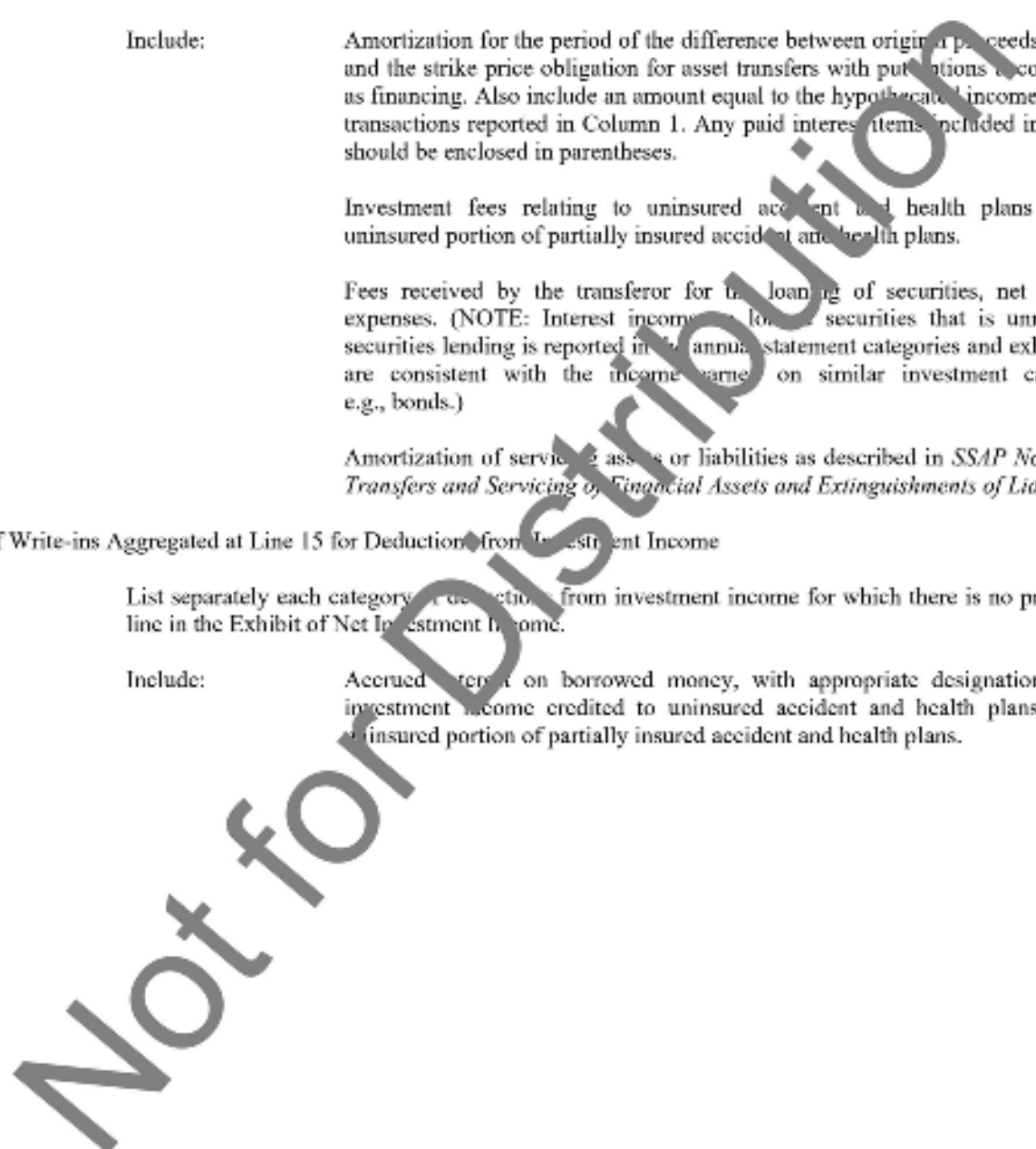
Fees received by the transferor for the loaning of securities, net of direct expenses. (NOTE: Interest income on loaned securities that is unrelated to securities lending is reported in the annual statement categories and exhibits that are consistent with the income earned on similar investment categories, 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 deduction 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
		<b>Applicable to Property/Casualty entities only.</b>
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).

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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 Life and Fraternal statement]

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

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

For Clearly Defined Hedging Strategies qualifying for and applying the provisions of SSAP No. 108 include total current year amortization of SSAP No. 108 deferred liabilities and deferred assets as realized capital gains (losses).

For hedging strategies no longer identified as highly effective within the scope of SSAP No. 108 or which the reporting entity has elected to terminate include total current year amortization of deferred liabilities and deferred assets as unrealized capital gains (losses).

Include: 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. 25—Prepaid Expenses*).

Column 2 – Prior Year Total Nonadmitted Assets

This column should contain the total (sum of group and individual) nonadmitted amounts from the prior year annual statement.

Column 3 – Change in Total Nonadmitted Assets

This column should equal Column 2 minus Column 1. The amount reported in the total line of this column should equal the amount reported in the “Change in Nonadmitted Assets” line of the Capital and Surplus Account calculation.

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## **EXHIBIT 1 – ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY**

See Appendix – Definitions of Lines of Business and Product Codes in determining the source with which information is associated.

Column 1 – Total Members At End of Prior Year

A member is a person who has been enrolled as a subscriber, or an eligible dependent of a subscriber, and for whom the reporting entity has accepted the responsibility for the provision of basic health services as provided by contract.

Column 6 – Current Year Member Months

A member month is equivalent to one member for whom the company has recognized premium revenue for one month. Where the revenue is recognized for only part of a month (or other relevant period) for a given individual, a prorated partial member month may be counted. Accumulate member months for the period.

Line 6 – Aggregate Write-ins For Other Lines of Business

Enter the total of the write-ins listed in schedule Details of Write-ins Aggregated at Line 6 for Aggregate Other Lines of Business.

Details of Write-ins Aggregated at Line 6 for Aggregate Other Lines of Business

List separately each category of business for which there is no pre-printed line on Exhibit 1.

## **EXHIBIT 2 – ACCIDENT AND HEALTH PREMIUMS DUE AND UNPAID**

Individually list the greater of any group subscriber accounts for accident and health premiums due and unpaid (included on Page 2, Line 15.1) with balances greater than \$10,000 or those that are 10% of gross premiums receivable. Summarize amounts due from individual subscribers and state and federal entities. Use Lines 0200001 through 0299996 to individually list amounts due from group subscribers. Report the total due from group subscribers and not individually listed on Line 0299998.

**EXHIBIT 3 – HEALTH CARE RECEIVABLES**

Individually list the greater of any account balances greater than \$10,000 or those that are 10% of gross health care receivables. Use Lines 010001 through 0699996, as needed. Report gross amounts for insured plans although these amounts may be offset against corresponding liabilities on the balance sheet. Report the aggregate of amounts not individually listed on Lines 0199998 through 0699998. The subtotal and grand total amounts should be reported on the following lines:

<u>Category</u>	<u>Line Number</u>
Pharmaceutical Rebate Receivables.....	0199999
Claim Overpayment Receivables.....	0299999
Loans and Advances to Providers.....	0399999
Capitation Arrangement Receivables.....	0499999
Risk sharing Receivables.....	0599999
Other Receivables.....	0699999
Gross Health Care Receivables.....	0799999

Column 7 – Admitted

Total line should equal the inset amount on Line 24 of the Assc. Page.

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### **EXHIBIT 3A – ANALYSIS OF HEALTH CARE RECEIVABLES**

The purpose of this exhibit is to analyze health care receivables collected and accrued for the current year compared to the prior year.

This exhibit is based on the gross health care receivable, not just the admitted portion.

Report the total asset (health care receivable) in this exhibit not just the admitted portion. Amounts are gross of reinsurance.

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

In this exhibit, the term “accrued” is analogous to the term “incurred” on the U&I Exhibit, Part 2B. Accrued pertains to the health care receivable asset, whereas incurred pertains to the claim liability.

Columns 1 and 2:

Enter separately in Columns 1 and 2, Lines 1 through 6, all amounts collected or offset during the year accrued prior to the current year and accrued during the current year. Record only those amounts actually collected including offsets, that meet the offset conditions of *SSAP No. 64—Offsetting and Netting of Assets and Liabilities*.

Line 3 includes amounts charged against those gross health care receivables, such as loans or advances to non-related party hospitals, established as pre-assesses that are not expensed until the related claims have been received from the provider as the claims have not been paid as of the statement date.

All amounts collected, including offsets, related to prior year receivables accrued should be reported in Column 1. All amounts collected, including offsets, related to current year receivables accrued should be reported in Column 2.

Columns 3 and 4:

Enter separately in Columns 3 and 4 the gross health care receivables accrual amount between those accrued prior to the current year and those accrued during the year. All amounts accrued related to prior year receivables accrued should be reported in Column 3. All amounts accrued related to current year receivables accrued should be reported in Column 4.

For each of Lines 1 through 7, the sum of Columns 3 through 4 should agree to Exhibit 3 Health Care Receivable, sum of Columns 6 and 7, for each type of health care receivable and in total.

Column 5:

Enter the sum of Columns 1 and 3. This is the amount collected or offset during the current year on health care receivables that were accrued prior to the current year, plus amounts still accrued at the end of the current year, related to the health care receivable accrued at the end of the prior year.

Column 6:

Column 6 reports the amounts of prior year-end accounting accrual for gross health care receivables.

The comparison between Columns 5 and 6 is to the total receivables, not just the portion that is an admitted asset.

**EXHIBIT 4 – CLAIMS UNPAID AND INCENTIVE POOL, WITHHOLD AND BONUS  
(REPORTED AND UNREPORTED)**

**AGING ANALYSIS OF UNPAID CLAIMS**

Individually list the greater of any health care creditors with balances greater than \$10,000 or those that are 10% of total claims payable. Use Lines 0100001 through 0100096, as needed. Aggregate the total of all other payables and enter on Lines 0299999 or 0399999, as applicable. Begin aging claims payable from date of receipt of claim by the reporting entity. In the case of capitation and other non-fee-for-service claim expenses, aging begins the date payment is required under contract or the date a bill for amounts due is received by the reporting entity.

Indicate in Column 1 the type of payable as follows:

# Covered Provider Capitation Payment Due (from date on contract).

@ Other method of payment different than fee-for-service, explain.

Amounts reported in Line 0199999 through Line 0599999 should be reported as gross unpaid claims.

Line 0699999 includes the amounts withheld that have not yet been settled on paid claims.

Line 0799999, Column 7 equals Page 3, Line 1, Column 3 plus Page 3, Line 1, Column 4.

Line 0899999 should equal Page 3, Line 2, Column 3.

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#### **EXHIBIT 5 – AMOUNTS DUE FROM PARENT, SUBSIDIARIES AND AFFILIATES**

Individually list the greater of any amounts (excluding reinsurance) due from Parent, Subsidiaries and Affiliates with balances greater than \$10,000 or those that are 10% of gross receivables. Use Lines 0100001 through 0199996, as needed. Aggregate the amounts not individually listed on Line 0299999. The assets reported in this exhibit must be reported gross of any corresponding liabilities although these amounts may be netted on the balance sheet.

Exhibit 5, Column 7 plus Column 8 less Exhibit 6, Column 3 equals the difference between Page 2, Line 23 and Page 3, Line 15.

Include: In Column 7, those amounts advanced that the reporting entity expects to receive within one year.

In Column 8, those other amounts due permitted by the state of domicile.

#### **EXHIBIT 6 – AMOUNTS DUE TO PARENT, SUBSIDIARIES AND AFFILIATES**

Individually list the greater of any amounts due (excluding reinsurance) to parent, subsidiaries and affiliates with balances greater than \$10,000 or those amounts that are 10% of total amounts due parent, subsidiaries and affiliates. Use Lines 0100001 through 0199996, as necessary. Aggregate the total of all other amounts due and enter on Line 0299999. The liabilities reported in this exhibit must be reported gross of any corresponding assets although these amounts may be netted on the balance sheet.

Exhibit 5, Column 7 plus Column 8 less Exhibit 6, Column 3 equals the difference between Page 2, Line 23 and Page 3, Line 15.

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## EXHIBIT 7 – PART 1 – SUMMARY OF TRANSACTIONS WITH PROVIDERS

This schedule requires disclosure of claim payments by type of managed care arrangement.

Column 3 – Total Members Covered

Report total members covered under each payment method.

Column 4 – Column 3 As A % of Total Members

Column 3 divided by Total Members Exhibit 1, Column 5, Line 7.

### Capitation Payments

Line 1 – Medical Groups

Include: Capitation payments made to contracting physician groups other than intermediaries.

Line 2 – Intermediaries

Include: Capitation payments to contracting business entities (not licensed as a medical providers) that arrange, by contract, with physicians and other licensed medical providers, to deliver health services to a reporting entity and its enrollees via a separate contract between the intermediary and the reporting entity.

Exclude: Capitation payments to capitated affiliates that employ providers and pay them non-contingent salaries, and where the affiliated intermediary has a contract only with the affiliate reporting entity.

Line 3 – All Other Providers

Include: Capitation payments to other contracting providers for services other than physician services such as dental, inpatient, outpatient, vision, etc.

### Other Payments

Line 5 – Fee-for-Service

Include: Fee-for-service charges.

Discounted fee-for-service (based upon charges).

Usual customary and reasonable (UCR) schedules.

Relative Value Scales (RVS) where neither the payment base nor the RV factor are fixed by contract or where they are fixed by contract for one year or less.

Retroactive payments to capitated providers or intermediaries whether by capitation or other payment method.

Capitation paid to providers or intermediaries that have received retroactive payments for prior years.

- Line 6 – Contractual Fee Payments
- Include: Hospital per diems, Diagnostic Rated Groups (DRGs).
- Other hospital case rates.
- Non-adjustable professional case and global rates.
- Provider fee schedules.
- RVS where the payment base and the RV factor are fixed by contract for more than one year.
- Ambulatory payment classification (APC's).
- Line 7 – Bonus/Withhold Arrangements - Fee-for-Service
- Include: Payments to contracting providers that, absent the withhold arrangement or bonus arrangement, would otherwise be reported on Line 5, Fee-for-Service.
- Line 8 – Bonus/Withhold Arrangements – Contractual Fee Payment
- Include: Payments to contracting providers that, absent the withhold or bonus arrangement, would otherwise be reported on Line 6.
- Line 9 – Non-contingent Salaries
- Include: Salaries paid to providers of medical care that cannot be adjusted based upon utilization of services (e.g. # of patients seen or the intensity of the illnesses treated).
- The portion of payments to affiliated entities that is passed on as non-contingent salaries to persons directly providing care where the entity has a contract only with its affiliated reporting entity.
- Line 10 – Aggregate Cost Arrangements
- Include: Payments to a corporate entity that directly provides care, where (1) the health plan is contractually required to pay the total operating costs of the corporate entity, less any income to the entity from other users of services, and (2) there are mutual unlimited guarantees of solvency between the entity and the health plan that put their respective capital and surplus at risk in guaranteeing each other.
- Line 11 – All Other Payments
- Include: Stop-loss payments for coverage as defined in the Analysis of Operations.
- Loss payments for disability income, long-term care, accidental death and dismemberment, hospital indemnity, specified disease and other accident coverage.
- Line 13 – Total
- This line agrees with Exhibit of Premiums, Enrollment and Utilization, Line 17, Column 1, sum of all states.

**EXHIBIT 7 – PART 2 – SUMMARY OF TRANSACTIONS WITH INTERMEDIARIES**

Use Lines 0000001 through 9999996, as needed, to list individually all intermediaries.

- Column 1 – NAIC Code  
Include the NAIC Company Code for insurance entities and health care entities.
- Column 3 – Capitation Paid  
Enter the total amount of capitation paid to the intermediary for the year.
- Column 4 – Average Monthly Capitation  
Column 3 divided by the number of months that the contract was in effect.
- Column 5 – Intermediary's Total Adjusted Capital  
Include: The Total Adjusted Capital from the risk-based capital calculation for intermediaries subject to risk-based capital requirements in their state of domicile.
- Column 6 – Intermediary's Authorized Control Level RBC  
Include: The Authorized Control Level RBC from the risk-based capital calculation for intermediaries subject to risk-based capital requirements in their state of domicile.

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## EXHIBIT 8 – FURNITURE, EQUIPMENT AND SUPPLIES OWNED

Furniture and equipment includes furniture, fixtures, equipment, furniture and equipment defined as health care delivery assets, private passenger automobiles, and other fixed assets owned by the reporting entity. The purpose for this exhibit is to report in total and by category all furniture and equipment owned by the reporting entity.

A description of the information required by the columnar headings is as follows:

Column 1	–	Cost	
			Report the amount expended to acquire the property along with the costs associated with acquiring title.
Column 2	–	Improvements	
		Include:	Any other amounts such as additions and improvements (at the time of purchase or subsequent) that have been capitalized.
Column 3	–	Accumulated Depreciation	
			Report the accumulated depreciation of the properties listed by category.
Column 4	–	Book Value less Encumbrances	
			Report the actual cost plus capitalized improvements, less depreciation, less any encumbrances.
Column 6	–	Net Admitted Assets	
			The sum of Lines 1 through 5, Column 6 on this page 2, Line 21.
Line 1	–	Administrative Furniture and Equipment	
		Include:	Furniture, equipment and supplies used for administrative activities including claims processing, billing and maintenance of medical records.
Line 2	–	Medical Furniture, Equipment and Fixtures	
		Include:	Diagnostic equipment. Laboratory equipment. Patient monitoring equipment. Hospital beds. Examining tables. Operating room equipment.
Line 3	–	Pharmaceuticals and Surgical Supplies	
		Include:	Drugs. Surgical items such as implants. Medical dressings used directly in the treatment of medical conditions.

Line 4 – Durable Medical Equipment

Include: Consumable or salable equipment, such as wheelchairs, crutches and braces, that is generally classified as inventory and is of a nature that it may be reused.

Line 5 – Other Property and Equipment

Include: Leasehold improvements.

Any property and equipment not reported in other provided lines.

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## HEALTH

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## NOTES TO FINANCIAL STATEMENTS

### Notes to the Annual Statement are to be filed on March 1.

These instructions include guidance for the annual statement blank. These instructions provide specific examples that illustrate the disclosures required by the *Accounting Practices and Procedures Manual* and depict the application of certain Statements of Statutory Accounting Principles (SSAP). UNLESS OTHERWISE INDICATED, the format and level of detail in the illustrations are not requirements. The NAIC encourages a format that provides the information in the most understandable manner in the specific circumstances. Entities are not required to display the disclosure information contained herein in the specific manner illustrated, except where indicated in the illustrations provided for specific notes.

To facilitate comparison to the electronic notes database, the following data-captured disclosures should be presented in whole dollars in the same format and level of detail in the specific manner shown in the illustration. When the disclosure for a particular illustration is not applicable or the reporting entity has nothing to report, the reporting entity is not required to present the disclosure in the illustrated format with zero amounts except for the reconciliation table illustrated in Note 1A, which must be provided regardless of whether the reporting entity has any state prescribed or permitted practices. It will still be acceptable to indicate "none" or "not applicable" for the whole disclosure or specific parts of the disclosure, as appropriate, as long as the numbering format of the disclosure is preserved. Following the presentation of the illustration is not meant to preclude reporting entities from providing additional clarification before or after the illustration to enable users to better understand the disclosure.

Note #	Parts to be presented in whole dollars in the same format and level of detail in the specific manner shown in the illustration.
1	1A(1) through 1A(8)
3	3A
4	4A(1), 4A(3) and 4A(4)
5	5A(3) through 5A(8), 5B(1) through 5B(3), 5D(2) through 5D(4), 5E(3)a, 5E(3)b, 5E(5)a, 5E(7), 5F(2), 5F(3), 5F(5) through 5F(11), 5G(2), 5G(3), 5G(5) through 5G(10), 5H(2), 5H(3), 5H(5) through 5H(9), 5I(2), 5I(3), 5I(5) through 5I(8), 5L, 5M(1), 5M(2), 5N(2), 5P and 5Q
8	8A(8) and 8B(2) through 8B(4)
9	9A1, 9A2, 9A3, 9A4, 9C and 9I
10	10M, 10N(2), and 10O
11	11B(2) through 11B(4)
12	12A(1) through 12A(7), 12A(8) 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), 14B(3) and 14D
15	15A(2)a, 15B(1)c, 15B(2)b and 15B(2)c
16	16(1)
17	17C(2)
18	18A and 18B
19	All
20	20A(1), 20A(2), 20C and 20D
21	21E(1), 21E(4), 21F(2) through 21F(4), 21G(2), 21G(3), 21H and 21I
22	22A through 22H
23	23B, 23C, 23D(1)a and 23D(2)a
24	24D and 24E
28	All
30	All

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, Capital and Surplus

4 – Statement of Revenue and Expenses

6 – Cash Flow

Use "N/A" for permitted or prescribed practices that do not impact the financial statements pages above.

If multiple pages are needed for the prescribed or permitted practice, separate with a comma (3,4).

Financial statement reporting lines (F/S lines) of the key financial statement page primarily impacted by the permitted or prescribed practice

(References to the financial statement reporting line for net income or statutory surplus should be avoided. The intent is to capture the financial statement line reflecting the practice which ultimately impacts net income or statutory surplus.)

If "N/A" was used for the F/S page, use "N/A" for the F/S line.

If multiple lines are needed for the prescribed or permitted practice, separate with a comma (1,8).

Below are examples of permitted and prescribed practices the reporting entity may or may not be using which could be disclosed. The reporting entity may have others not shown below.

Differences in the accounting and reporting of:

- Goodwill
- Admission of Fixed Assets
- Value of Home Office Property

**NOTE:** Amounts reported in other notes to the financial statements shall reference Note 1 if impacted by prescribed or permitted practices. The following is an example of inserting a statement within applicable notes:

**Example Illustration: Note 3. Business Combinations and Goodwill**

**Illustration:**

**A. Statutory Purchase Method**

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.

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

1 Purchased entity	2 Acquisition date	3 Cost of acquired entity	4 Original amount of admitted goodwill	5 Admitted goodwill of the subsidiary	6 Amount of goodwill amortized during the reporting period	7 Admitted goodwill as a % of SCA, BACV, gross of admitted goodwill
		\$ _____	\$ _____	\$ _____	\$ _____	_____%
		\$ _____	\$ _____	\$ _____	\$ _____	_____%
		\$ _____	\$ _____	\$ _____	\$ _____	_____%
		\$ _____	\$ _____	\$ _____	\$ _____	_____%

\* For Columns 5 and 6, these amounts reflect prescribed or permitted practices that depart from the *NAIC Accounting Practices and Procedures Manual*, See Note 1, Summary of Significant Accounting Policies for additional information.

- B. Include an explanation that the preparation of financial statements is in conformity with the *Annual Statement Instructions* and *Accounting Practices and Procedures Manual* requires the use of management's estimates.
- C. Disclose all accounting policies that materially affect the assets, liabilities, capital and surplus or results of operations.

Include:

- (1) Basis at which the short-term investments are stated.
- (2) Basis at which the bonds, mandatory convertible securities and SVO-Identified investments identified in SSAP No. 26R are stated, and the amortization method.
  - Amortization method for bonds and mandatory convertible securities and if elected by the reporting entity, the approach for determining the systematic value for SVO-Identified securities per SSAP No. 26R. If utilizing the systematic value measurement method approach for SVO-Identified investments, the reporting entity must include the following information:
    - Whether the reporting entity consistently utilizes the same measurement method for all SVO-Identified investments (e.g., fair value or systematic value). If different measurement methods are used, information on why the reporting entity has elected to use fair value for some SVO-Identified investments and systematic value for others.
    - Whether SVO-Identified investments are being reported at a different measurement method from what was used in an earlier current-year interim and/or in a prior annual statement. (For example, if reported at systematic value prior to the sale, and then reacquired and reported at fair value.) This disclosure is required in all interim reporting periods and in the year-end financial statements for the year in which an SVO-Identified investment has been reacquired and reported using a different measurement method from what was previously used for the investment. (This disclosure is required regardless of the length of time between the sale/reacquisition of the investments but is only required in the year in which the investment is reacquired.)

- Identification of securities still held that no longer qualify for the systematic value method. This should separately identify those securities that are still within scope of SSAP No. 26R and those that are being reported under a different SSAP.
- (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.
  - (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).  
Management's evaluation of the significance of those conditions or events in relation to the entity's ability to meet its obligations.
  - b. 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 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.

Illustration:

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 #	FS Page	FS Line #	20__	20__
<b>NET INCOME</b>					
(1) ABC Company state basis (Page 4, Line 52, Columns 2 & 3)	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 (1-2-394)	XXX	XXX	XX	\$ .....	\$ .....
<b>SURPLUS</b>					
(5) ABC Company state basis (Page 3, Line 33, Columns 3 & 4)	XXX		X		
(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 amount of revenue and expenses during the period. Actual results could differ from those estimates.

**C. Accounting Policy**

Life premiums are recognized as income over the premium-paying period of the related policies. Annuity considerations are recognized as revenue when received. Health premiums are earned ratably over the terms of the related insurance and reinsurance contracts or policies. Expenses incurred in connection with acquiring new insurance business, including acquisition costs such as sales commissions, are charged to operations as incurred.

The amount of dividends to be paid to policyholders is determined annually by the Company's Board of Directors. The aggregate amount of policyholders' dividends is related to actual interest, mortality, morbidity, and expense experience for the year and judgment as to the appropriate level of statutory surplus to be retained by the Company.

In addition, the company uses the following accounting policies:

- (1) Short-term investments are stated at a amortized cost.
- (2) Bonds not backed by other loans are stated at a 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 90 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 scope of SSAP No. 30R 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 2. 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. 54R—Individual and Group Accident and Health Contracts.



- (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 cause 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 actual 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 Revenue and Expenses, Line \_\_\_\_ ) were understated by \$ \_\_\_\_\_. Line \_\_\_\_ on the Assets Page and Line \_\_\_\_ on the Gains and Losses section of the Statement of Revenue and Expenses 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 much amortized goodwill is reported as a component of the investment:

- The name and brief description of the acquired entity.
- 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; and
- (5) A description of any adjustments recorded directly to surplus for any entity that previously did not prepare statutory statements.

C. Assumption Reinsurance

Disclose the following information regarding goodwill resulting from assumption reinsurance:

- (1) The name of the ceding entity;
- (2) The type of business assumed;
- (3) The cost of the acquired business and the amount of goodwill; and
- (4) The amount of amortization of goodwill recorded for the period.

D. 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.

Illustration:

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 Purchased entity	2 Acquisition date	3 Cost of acquired entity	4 Original amount of admitted goodwill	5 Admitted goodwill as of the reporting date	6 Amount of goodwill amortized during the reporting period	7 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. Assumption Reinsurance**

- (1) The Company completed an assumption reinsurance agreement with ABC Insurance Company during the current year.
- (2) The Company assumed the entire small group point of service block of business of ABC Insurance Company.
- (3) The Company paid \$ \_\_\_\_\_ for the business, resulting in goodwill of \$ \_\_\_\_\_.
- (4) For the year ended 12/31/20\_\_\_\_, Goodwill amortization for this transaction was \$ \_\_\_\_\_.

**D. 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 postretirement, 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	.....	.....	.....	\$ .....
	.....	.....	.....	\$ .....
	.....	.....	.....	\$ .....

Not for Distribution

## 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. 100R—Fair Value*.
- (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. Debt Repurchase Agreements and/or Securities Lending Transactions

- (1) For repurchase agreements and 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:
- 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.
  - 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
  - Information about the sources and uses of the 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.
- 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.
  - 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 activity accounted for as a sale or secured borrowing in Notes 5F through 5L.

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.)

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 borrowing 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 credit 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 maximum amount and the end balance as of each reporting period (quarterly and annual) should be provided for 3 through 5, and at below.

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

If the reporting entity answers “Yes” for any of the quarters for 5F(2)a or 5F(2)b, then it is expected the detail for the remaining disclosures for 5F below will be provided. If the repo activity has ended at year-end then at a minimum the maximum amount data would be provided.

- (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 narrative disclosure of 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.)

- (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 invested cash and the aggregate amortized cost and fair value of the invested asset required 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 borrowing 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 the provided security and how those risks are managed.

The maximum amount and the end balance as of each reporting period (quarterly and annual) should be provided in 3 through 5, 7, 9 and 10 below.

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

If the reporting entity answers "Yes" for any of the quarters for 5G(2)a or 5G(2)b, then it is expected the detail for the remaining disclosures for 5G below will be provided. If the repo activity has ended at year-end then at a minimum the maximum amount data would be provided.
- (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 narrative disclosure of 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.)

- (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's policy or strategies for engaging in repo programs, policy for requiring collateral.

The maximum amount 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.

If the reporting entity answers "Yes" for any of the quarters for 5H(2)a or 5H(2)b, then it is expected the detail for the remaining disclosures for 5H below will be provided. If the repo activity has ended at year-end then at a minimum the maximum amount data would be provided.

- (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 narrative disclosure of 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.)

- (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 strategies for engaging in repo programs, policy for requiring collateral.

The maximum amount 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.
 

If the reporting entity answers "yes" to any of the quarters for 5I(2)a or 5I(2)b, then it is expected the detail for the remaining disclosures for 5I below will be provided. If the repo activity has ended at year end then a minimum the maximum amount data would be provided.
- (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 narrative disclosure of 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.)
- (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.