**2015 NAIC ANNUAL STATEMENT INSTRUCTIONS – LIFE**

**NOV 2015 REVISIONS**

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<tr>
<th>PAGE &amp; 122:</th>
<th>NOTES TO FINANCIAL STATEMENT</th>
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<td>Revision:</td>
<td>Modify the Note 4 disclosure per SAPWG memo dated 10/30/2015</td>
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<tr>
<td>Reason:</td>
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<th>PAGE 320:</th>
<th>SCHEDULE S, PART 3, SECTION 1</th>
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<tr>
<td>Revision:</td>
<td>Modify instruction for Column 7, Type of Business Ceded.</td>
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<tr>
<td>Reason:</td>
<td>Clarify the Supplemental XXX/AXXX Reinsurance Exhibit must be completed when XXX and AXXX business that is not exempt under 6E, 6F or 6G of the NAIC <em>Valuation of Life Insurance Policies Model Regulation</em> (#830) is reported on the schedule.</td>
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<tr>
<th>PAGE 658:</th>
<th>SUPPLEMENTAL HEALTH CARE EXHIBIT, PART 1</th>
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<tr>
<td>Revision:</td>
<td>Correct column references for Lines 5.3, 5.4 and 5.5.</td>
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<tr>
<td>Reason:</td>
<td>Aggregate 2% Rule eliminated and Column 12 now used for reporting Medicare Advantage Part C and Medicare Part D Stand-alone subject to ACA.</td>
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**EDITOR'S NOTE:**

The above changes are highlighted within the attached instructions that follow this page.

Recent Blanks Working Group Agenda Items (Exposure Drafts) may be viewed in detail at the following web site: [http://www.naic.org/committees_e_app_blanks.htm](http://www.naic.org/committees_e_app_blanks.htm).
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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 individual term life 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/____, 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:

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

B. Change in Plan of Sale of Discontinued Operation

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

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

- The resolution of contingencies that arise pursuant to the terms of the disposal transaction, such as the resolution of purchase price contingencies and indemnification issues with the purchaser.
- The resolution of contingencies that arise from and are directly related to the disposal of a discontinued operation of the component in a period prior to its disposal, such as environmental and product warranty obligations retained by the seller.
- The settlement of employee benefit plan obligations (pension, postemployment benefits other than pensions, and other postemployment benefits), provided the settlement is directly related to the disposal transaction. (A settlement is directly related to the disposal transaction if there is a demonstrated direct cause-and-effect relationship and the settlement occurs no later than one year following the disposal transaction, unless it is delayed by events or circumstances beyond an entity’s control.)
C. Nature of Any Significant Continuing Involvement with Discontinued Operations After Disposal

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

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

D. Equity Interest Retained in the Discontinued Operation After Disposal

If the entity will retain an equity interest in the discontinued operations 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:

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

(1) The Company entered into a definitive agreement dated ________, 20__to sell its Group Health Operations to ABC Company for $______ in cash, subject to various closing adjustments. The net loss from disposal is expected to be $______.

(2) The sale is expected to be completed no later than midyear 20__.

(3) 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.

(4) As a result of the planned sale, the Company’s Group health operations have been classified as Discontinued Operations and have been reported consistently with the company’s reporting of continuing operations.

(5) The amounts related to Discontinued Operations and the effect on the Company’s Balance Sheet and Summary of Operations is as follows:

Balance sheet _____, 20__

Assets
a. Line 5 Cash $ ____________
b. Line 28 Totals

Liabilities, Surplus and Other Funds
c. Line 28 Total Liabilities

d. Line 37 Surplus

e. Line 39 Total

Summary of Operations ________, 20__
f. Line 1 Premiums $ ____________
g. Line 19 Increase in aggregate reserves for accident & health (current year less prior year)
h. Line 32 Federal and foreign income taxes incurred
i. Line 34 Net realized capital gains (losses)
j. Line 35 Net Income

NOTE: The balance sheet and income lines shown above are only examples of what can be disclosed the reporting entity should show those lines that best reflect the effect of Discontinued Operations on the reporting entity’s financial statement.
E. See example in paragraph 12.32 of the SSAP No. 101, Income Taxes Q&A.

(3) The aggregate amount of deposits reported as admitted assets under Section 6603 of the Internal Revenue Service (IRS) Code was $XX million as of December 31, 20XX.

F. See example in paragraph 12.34 of the SSAP No. 101, Income Taxes Q&A.

10. Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties

Instruction:

The financial statements shall include disclosures of all material related party transactions. In some cases, aggregation of similar transactions may be appropriate. Sometimes, the effect of the relationship between the parties may be so pervasive that disclosure of the relationship alone will be sufficient. If necessary to the understanding of the relationship, disclose the name of the related party. Transactions shall not be purported to be arm’s-length transactions unless there is demonstrable evidence to support such statement. The disclosures shall include:

A. The nature of the relationship involved.

B. A description of the transactions for each of the periods for which financial statements are presented, and such other information considered necessary to obtain an understanding of the effects of the transactions on the financial statements. Exclude reinsurance transactions, any non-insurance transactions that are less than ½ of 1% of the total admitted assets of the reporting entity, and cost allocation transactions. The following information shall be provided if applicable:

(1) Date of transaction;
(2) Explanation of transaction;
(3) Name of reporting entity;
(4) Name of affiliate;
(5) Description of assets received by reporting entity;
(6) Statement value of assets received by reporting entity;
(7) Description of assets transferred by reporting entity; and
(8) Statement value of assets transferred by reporting entity.

C. The dollar amounts of transactions for each of the periods for which financial statements are presented and the effects of any change in the method of establishing the terms from that used in the preceding period.

D. Amounts due from or to related parties as of the date of each balance sheet presented and, if not otherwise apparent, the terms and manner of settlement.

E. Any guarantees or undertakings, written or otherwise, shall be disclosed in Note 14, Liabilities, Contingencies and Assessments, in accordance with the requirements of SSAP No. 5R, Liabilities, Contingencies and Impairments of Assets. In addition, the nature of the relationship to the beneficiary of the guarantee or undertaking (affiliated or unaffiliated) shall also be disclosed.

F. A description of material management or service contracts and cost-sharing arrangements involving the reporting entity and any related party. This shall include, but is not limited to, sale lease-back arrangements, computer or fixed asset leasing arrangements, and agency contracts that remove assets that may otherwise be recorded (and potentially nonadmitted) on the reporting entity’s financial statements.
G. The nature of the control relationship whereby the reporting entity and one or more other enterprises are under common ownership or control and the existence of that control could result in operating results or financial position of the reporting entity being significantly different from those that would have been obtained if the enterprises were autonomous. Disclose the relationship even though there are no transactions between the enterprises.

H. The amount deducted from the value of an upstream intermediate entity or ultimate parent owned, either directly or indirectly, via a downstream subsidiary, controlled, or affiliated entity, in accordance with the *Purposes and Procedures Manual of the NAIC Investment Analysis Office*, “Procedures for Valuing Common Stocks and Stock Warrants.”

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

I. For investment in an SCA entity that exceeds 10% of admitted assets of the reporting entity, disclose the following information:

1. Disclose (i) the name of each SCA entity and percentage of ownership, (ii) the accounting policies of the reporting entity with respect to investments in these entities and (iii) the difference, if any, between the amount at which the investment is carried and the amount of underlying equity in net assets, (i.e., goodwill, other nonadmitted assets, fair value or discounted fair value adjustments, adjustments pursuant to SSAP No. 25 and the accounting treatment of the difference).

2. Disclose for each SCA entity for which a quoted market price is available, the aggregate value of each investment based on the quoted market price and the difference, if any, between the amount at which the investment is carried and the quoted market price.

3. Present summarized information as to assets, liabilities, and results of operations for SCA entities, either individually or in groups.

4. The material effects of possible conversions, exercises or contingent issuances.

5. If elected, or required to change the valuation method as described in SSAP No. 97, Investments in Subsidiary, Controlled, and Affiliated Entities, a description of the reason for the change and the amount of adjustment recorded as unrealized gains or losses shall be disclosed. Also, disclose whether or not commissioner approval was obtained.

J. For investments in impaired SCA entities disclose in the year of an impairment write-down the following:

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

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

K. If the investment in a foreign insurance subsidiary is calculated by adjusting annuity GAAP account value reserves using CARVM and the related Actuarial Guidelines, the interest rates and mortality assumptions used in the calculation as prescribed by the insurance department of the foreign country shall be disclosed.

L. If a reporting entity holds an investment in a downstream noninsurance holding company, the reporting entity may look-through the downstream noninsurance holding company to the value of (i) SCA entities having audited financial statements and/or (ii) joint ventures, partnerships, and/or limited liability companies having audited financial statements in which the downstream noninsurance holding company has a minor ownership interest or otherwise lacks control, i.e., ownership interest is less than 10% in lieu of obtaining an audit of the financial statements of the downstream noninsurance holding company (provided the limited exception to the audited financial statements requirement contained in SSAP No. 97, Investments in Subsidiary, Controlled, and Affiliated Entities applies).
If a reporting entity utilizes the look-through approach for the valuation of the downstream noninsurance holding company instead of obtaining audited financial statements of the downstream noninsurance holding company, the financial statements of the reporting entity shall include the following disclosures:

1. The name of the downstream noninsurance holding company.
2. The carrying value of the investment in the downstream noninsurance holding company.
3. The fact that the financial statements of the downstream noninsurance company are not audited.
4. The fact that the reporting entity has limited the value of its investment in the downstream noninsurance holding company to the value contained in the audited financial statements, including adjustments required by this statement, of SCA entities and/or non-SCA SSAP No. 48 entities owned by the downstream noninsurance holding company and valued in accordance with SSAP No. 97, Investments in Subsidiary, Controlled, and Affiliated Entities.
5. The fact that all liabilities, commitments, contingencies, guarantees or obligations of the downstream noninsurance holding company, which are required to be recorded as liabilities, commitments, contingencies, guarantees or obligations under applicable accounting guidance, are reflected in the reporting entity’s determination of the carrying value of the investment in the downstream noninsurance holding company, if not already recorded in the financial statements of the downstream noninsurance holding company.

M. All SCA investments (except investments in insurance SCA entities) shall include disclosure of the SCA balance sheet value (admitted and non-admitted) as well as information received from the NAIC in response to the SCA filing (e.g., date and type of filing, NAIC valuation amount, whether resubmission of filing is required). This disclosure shall include an aggregate total of all SCAs (except investments in insurance SCA entities) with detail of the aggregate gross value under SSAP No. 97, with the admitted and nonadmitted amounts reflected on the balance sheet. See SSAP No. 97 for additional guidance.

N. A reporting entity that reports an investment in an insurance SCA (per SSAP No. 97) for which the audited statutory equity reflects a departure from the NAIC statutory accounting practices and procedures (e.g., permitted or prescribed practices) shall disclose the following:

• A description of the accounting practice, with a statement that the practice differs from the NAIC statutory accounting practices and procedures.
• The monetary effect on net income and surplus reflected by the insurance SCA as a result of using an accounting practice that differed from NAIC statutory accounting practices and procedures.
• Whether the RBC of the insurance SCA would have triggered a regulatory event had it not used a prescribed or permitted practice.
• The reported entity’s investment in the insurance SCA per the audited statutory equity, and the investment in the insurance SCA the reporting entity would have reported if the insurance SCA had completed statutory financial statements in accordance with the NAIC statutory accounting practices and procedures.

Illustration:


D. At December 31, 20__, the Company reported $_________ as amounts due to the Parent Company, The ABC Insurance Company. The terms of the settlement require that these amounts be settled within 30 days.

E. The Company has given XYZ Inc., an affiliated company, a standing commitment until January 1, 20__, in the form of guarantees in the event of a default of XYZ on various of its debt issues as disclosed in Note 14.

F. The Company has agreed to provide the Parent Company, The ABC Insurance Company, certain actuarial investment services with respect to the administration of certain large group insurance contracts that are subject to group experience rating procedures.

The Parent Company has agreed to provide collection services for certain contracts for the Company.

G. All outstanding shares of The Company are owned by the Parent Company, The ABC Insurance Company, an insurance holding company domiciled in the State of ______________.

H. The Company owns shares of the stock of its ultimate parent, The ABC Insurance Company. A wholly owned subsidiary of the Company, The XYZ Insurance Company, owns shares of The ABC Insurance Company. In accordance with Securities Valuation Office guidelines, the asset value of The ABC Insurance Company has been reduced by $__________, and the asset value of the XYZ Insurance Company has been reduced by $__________.
I. The Company owns a ______% interest in ABC Non-Insurance Company, whose carrying value is equal to or exceeds 10% of the admitted assets of The Company. The Company carries ABC Non-Insurance Company at GAAP equity plus the remaining Goodwill balance of $_______. Goodwill is amortized on a straight-line basis over a ten-year period.

At 12/31/20___, The Company’s interest in ABC Non-Insurance Company per the New York Stock Exchange quoted price was valued at $_______; that was $_______ in excess of the carrying value.

Based on The Company’s ownership percentage of ABC Non-Insurance Company, the statement value of ABC Non-Insurance Company assets and liabilities as of 12/31/20__ were $_______ and $_______, respectively.

The Company’s share of net income of ABC Non-Insurance Company was $_______ for the year ended 12/31/20__.

The Company has a 25% limited partnership interest in XYC Real Estate Partners. The partnership investment in office properties in the NE United States has been adversely affected by corporate restructuring. This has affected the value of the properties that resulted in the write-down of the Company’s investment in XYC Real Estate Partners of $_______ for the year ended 12/31/20___. The amount of the impairment was determined using appraisals from third parties.

J. The Company did not recognize any impairment write down for its investments in Subsidiary, Controlled or Affiliated Companies during the statement period.

L. XYZ Company utilizes the look-through approach in valuing its investment in ABC Company at $_______. ABC Company’s financial statements are not audited and XYZ Company has limited the value of its investment in ABC Company to the value contained in the audited financial statements, including adjustments required by SSAP No. 97, of SCA entities and/or non-SCA SSAP No. 48 entities owned by the ABC Company and valued in accordance with paragraphs SSAP No. 97. All liabilities, commitments, contingencies, guarantees or obligations of the ABC Company, which are required to be recorded as liabilities, commitments, contingencies, guarantees or obligations under applicable accounting guidance, are reflected in XYZ Company’s determination of the carrying value of the investment in ABC Company, if not already recorded in the financial statements of ABC Company.

11. Debt

Instruction:
A. Disclose the following items related to debt, including capital notes. Refer to SSAP No. 15, Debt and Holding Company Obligations, for accounting guidance:

(1) Date issued;
(2) Pertinent information concerning the kind of borrowing (e.g., debentures, commercial paper outstanding, bank loans, capital notes and lines of credit);
(3) Face amount of the debt;
(4) Carrying value of debt;
(5) The rate at which interest accrues;
(6) The effective interest rate;
(7) Collateral requirements;
(8) Interest paid in the current year;
(9) A summary of significant debt terms and covenants and any violations;
(10) The combined aggregate amount of maturities and sinking fund requirements for each of the five years following the latest balance sheet presented;
(11) If debt was considered to be extinguished by in-substance defeasance prior to the effective date of this statement and any of the debt remains outstanding, a general description of the transaction and the amount of debt that is considered extinguished at the end of the period;
(12) A description of the terms of reverse repurchase agreements whose amounts are included as part of debt.
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.

C.

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<th>Type of Financial Instrument</th>
<th>Aggregate Fair Value</th>
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<th>(Level 2)</th>
<th>(Level 3)</th>
<th>Not Practicable (Carrying Value)</th>
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NOTE: Type of Financial Instrument Column shows examples of types of financial instruments that can be disclosed.

D. Not Practicable to Estimate Fair Value

<table>
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<tr>
<th>Type or Class of Financial Instrument</th>
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<th>Effective Interest Rate</th>
<th>Maturity Date</th>
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NOTE: Type or Class of Financial Instrument Column shows examples of types or classes of financial instruments that can be disclosed.

21. Other Items

Instruction:

A. Unusual or Infrequent Items

Disclose the nature and financial effects of each unusual or infrequent event or transaction. Gains or losses of a similar nature that are not individually material shall be aggregated. This disclosure shall include the line items which have been affected by the event or transaction considered to be unusual and/or infrequent.

Refer to SSAP No. 24, Discontinued Operations and

Unusual or Infrequent Items, for accounting guidance.
B. Troubled Debt Restructuring: Debtors

Refer to SSAP No. 36, Troubled Debt Restructuring, for accounting guidance.

State the following information about troubled debt restructurings that occurred during a period for which the financial statements are presented:

(1) For each restructuring (or separate restructuring within a fiscal period for the same category of payables) (e.g., accounts payable or subordinated debentures) a description of the principal changes in terms, major features of settlement, or both;

(2) Aggregate gain on restructuring of payables and the related income tax effect;

(3) Aggregate net gain or loss on transfers of assets recognized during the period; and

(4) For periods after a troubled debt restructuring, the extent to which amounts that are contingently payable are included in the carrying amount of restructured payables and the conditions under which those amounts would become payable or would be forgiven.

C. Other Disclosures

Refer to SSAP No. 1, Accounting Policies, Risks & Uncertainties, and Other Disclosures.

Disclose any other items, (e.g., amounts not recorded in the financial statements that represent segregated funds held for others).

D. Business Interruption Insurance Recoveries

Disclose the following information related to business interruption insurance recoveries received during a period for which the financial statements are presented:

- The nature of the event resulting in business interruption losses.
- The aggregate amount of business interruption recoveries recognized during the period and the line item(s) in the statement of operations in which those recoveries are classified (including amounts defined as an extraordinary item pursuant to SSAP No. 24, Discontinued Operations and Extraordinary Items).

E. State Transferable and Non-transferable Tax Credits

Disclose the following regarding state transferable and non-transferable tax credits. For purposes of this disclosure, total unused transferable and non-transferable state tax credits represent the entire transferable and non-transferable state tax credits available:

(1) Carrying value of transferable and non-transferable state tax credits gross of any related state tax liabilities and total unused transferable and non-transferable state tax credits by state and in total;

(2) Method of estimating utilization of remaining transferable and non-transferable state tax credits or other projected recovery of the current carrying value; and

(3) Impairment amount recognized by the reporting period, if any.

(4) Identify state tax credits by transferable and non-transferable classifications, and identify the admitted and nonadmitted portions of each classification.
(2) Number and balance of retained asset accounts in force at the end of the current year and prior year segregated within “aging categories” of “up to 12 months,” “13 to 24 months,” “25 to 36 months,” “37 to 48 months,” “49 to 60 months,” “over 60 months.”

(3) Disclose the following segregated between individual and group contracts:

• Number and balance of retained asset accounts in force at the beginning of the year;
• Number and amount of retained asset accounts issued during the year;
• Investment earnings credited to retained asset accounts;
• Fees and other charges assessed to retained asset accounts during the year;
• Number and amount of retained asset accounts transferred to state unclaimed property funds;
• Number and amount of retained asset accounts closed/withdrawn during the year; and
• Number and balance of retained asset accounts in force at the end of the year.

H. Reporting entities shall disclose information when they may receive possible proceeds as the issuer, ceding insurer, or counterparty of insurance-linked securities. Insurance-linked securities (ILS) are securities whose performance is linked to the possible occurrence of pre-specified events that relate to insurance risks. While catastrophe bonds (cat bonds) may be the most well-known type of ILS, there are other non-cat-bond ILS, including those based on mortality rates, longevity and medical-claim costs. ILS securities may be used by an insurer, or any other risk-bearing entity, in addition to (or as an alternative to) the purchase of insurance or reinsurance. This disclosure shall specifically identify the following:

• Whether the reporting entity may receive possible proceeds as the issuer, ceding insurer, or counterparty of insurance-linked securities as a way of managing risks related to directly-written insurance risks. This disclosure shall include the number of outstanding ILS contracts, and the aggregate maximum proceeds that could be received as of the reporting date under the terms of the ILS.

• Whether the reporting entity may receive possible proceeds as the issuer, ceding insurer, or counterparty of insurance-linked securities as a way of managing risk related to assumed insurance risks. This disclosure shall include the number of outstanding ILS contracts, and the aggregate maximum proceeds that could be received as of the reporting date under the terms of the ILS.

Illustration:

A. Unusual or Infrequent Items

On November __, 20__, the Company prepaid the holders of its ___% senior notes. Accordingly, the Company recorded a loss of $ ________ related to the early retirement of debt. The loss comprised a $_____ million prepayment penalty and a write off of premium associated with the debt. This loss is reflected in Line ___ of the Income Statement.

B. Troubled Debt Restructuring

(1) The Company has one mortgage loan payable with restructured terms. The principal changes in terms include the modification of terms from __ years to __ years and an increase in the interest rate from ___% to ___%.
(2) The aggregate gain on restructuring the payable and the related income tax effect were $_______ and $_______, respectively.
(3) The aggregate gain on the transfer of assets during 20__ was $______.
(4) As of December 31, 20__, the Company has $____ that is considered contingently payable on the restructured loan, of which $____ is included in the loan’s carrying amount. The Company will be required to pay the contingent amount if its financial condition improves to the degree specified in the loan agreements.

C. Other Disclosures

The following amounts were not represented in the financial statements as of December 31, 20X1 as they represent segregated funds held for others:

Cash deposits of $______ were not reported in the financial statements as of December 31, 20X1, as these deposits represented funds held in an escrow account. This is an increase of $____ from the prior year December 31, 20X1 financial statements.

NOTE The above is just an example of disclosing one item. The reporting entity could have more than one item to disclose.
D. The company received $_____ and $____ in 20___ and 20___, respectively, in business interruption insurance recoveries related to flooding that occurred at the company’s main administrative office in August 20___. The recoveries were reported within the line item “xxx” on the Summary of Operations.

E. State Transferable and Non-transferable Tax Credits

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

(1) Carrying Value of Transferable and Non-transferable State Tax Credits Gross of any Related Tax Liabilities and Total Unused Transferable and Non-transferable State Tax Credits by State and in Total

<table>
<thead>
<tr>
<th>Description of State Transferable and Non-transferable Tax Credits</th>
<th>State</th>
<th>Carrying Value</th>
<th>Unused Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(2) Method of Estimating Utilization of Remaining Transferable and Non-transferable State Tax Credits

The Company estimated the utilization of the remaining transferable and non-transferable state tax credits by projecting future premium taking into account policy growth and rate changes, projecting future tax liability based on projected premium, tax rates and tax credits, and comparing projected future tax liability to the availability of remaining transferable and non-transferable state tax credits.

(3) Impairment Loss

The Company recognized an impairment loss of $_____ related to the write-down as a result of impairment analysis of the carrying amount for state transferable and non-transferable tax credits.

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

(4) State Tax Credits Admitted and Nonadmitted

<table>
<thead>
<tr>
<th></th>
<th>Total Admitted</th>
<th>Total Nonadmitted</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Transferable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Non-transferable</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Section 3 – Ceded Reinsurance Report – Part B

(1) What is the estimated amount of the aggregate reduction in surplus, (for agreements other than those under which the reinsurer may unilaterally cancel for reasons other than for nonpayment of premium or other similar credits that are reflected in Section 2 above) of termination of ALL reinsurance agreements, by either party, as of the date of this statement? Where necessary, the company may consider the current or anticipated experience of the business reinsured in making this estimate. $__________

(2) Have any new agreements been executed or existing agreements amended, since January 1 of the year of this statement, to include policies or contracts that were in force or which had existing reserves established by the company as of the effective date of the agreement?

Yes (   ) No (   )

If yes, what is the amount of reinsurance credits, whether an asset or a reduction of liability, taken for such new agreements or amendments? $__________

B. Uncollectible Reinsurance

(1) Describe uncollectible reinsurance written off during the year reported in the following annual statement classifications, including the name or names of the reinsurer(s):

a. Claims incurred
b. Claim adjustment expenses incurred
c. Premiums earned
d. Other

C. Commutation of Ceded Reinsurance

Describe commutation of ceded reinsurance during the year reported in the following annual statement classifications, including the name or names of the reinsurer(s):

(1). Claims incurred
(2) Claim adjustment expenses incurred
(3) Premiums earned
(4) Other

D. Certified Reinsurer Rating Downgraded or Status Subject to Revocation

(1) Reporting Entity Ceding to Certified Reinsurer Whose Rating Was Downgraded or Status Subject to Revocation

Disclose the impact on any reporting period in which a certified reinsurer’s rating has been downgraded or its certified reinsurer status is subject to revocation and additional collateral has not been received as of the filing.

a. Disclose the following information related to certified reinsurers downgraded or status subject to revocation.

• Name of certified reinsurer downgraded or subject to revocation of certified reinsurer status and relationship to the reporting entity;
• Date of downgrade or revocation and jurisdiction of action;
• Collateral percentage requirements pre and post downgrade or revocation;
• Net obligations subject to collateral; and
• Additional collateral required but not received as of the filing date.
b. Disclose impact to the reporting entity as a result of the assuming entity’s downgrade or revocation of certified reinsurer status. This amount can be estimated if applicable for quarterly reporting but should be an actual amount for annual reporting. See SSAP No. 61R, Life, Deposit-Type and Accident and Health Reinsurance for additional guidance.

(2) Reporting Entity’s Certified Reinsurer Rating Downgraded or Status Subject to Revocation

U.S. domiciled reinsurers are eligible for certified reinsurer status. If the reporting entity is a certified reinsurer, the financial statements shall disclose the impact on any reporting period in which its certified reinsurer rating is downgraded or status as a certified reinsurer is subject to revocation.

a. Disclose the following information when the reporting entity’s certified reinsurer rating is downgraded or status subject to revocation.

- Date of downgrade or revocation and jurisdiction of action;
- Collateral percentage requirements pre and post downgrade or revocation;
- Net obligations subject to collateral; and
- Additional collateral required but not yet funded by the reporting entity as of the filing date.

b. The reporting entity shall disclose the impact on any reporting period in which its certified reinsurer rating is downgraded or status as a certified reinsurer is subject to revocation and the expectation of the reporting entity of its ability to meet the increased requirements.

E. For reinsurance of variable annuity contracts with an affiliated captive reinsurer, the reporting entity shall disclose the following for each transaction in the 2015 annual financial statements only:

- The type of benefits being reinsured (e.g. GMDB, GLIB and other guaranteed benefits);

- A description of the purpose of the transaction and significant terms of the reinsurance agreement that fully convey the purpose of the transaction.

For purposes of this disclosure, “purpose” includes, but is not limited to the following:

- Backing some/all of the reserves with non-admitted assets.
- Reducing the C3-Phase II charge by ignoring the impact of the standard scenario.

- A description of any risks retroceded to a third party as well as the ultimate risks retained by the reporting entity and its parent, subsidiaries and affiliates.

- Whether the reporting entity reinsures variable annuities in a standalone captive arrangement, or a multi-product captive arrangement.

- The amount of reserves held by a captive reinsurer, the reserve methodologies utilized within that captive reinsurer and how those differ from the requirements of AG43.
For purposes of this disclosure, an affiliated captive reinsurer shall be based upon the following definition:

This disclosure is intended to capture cessions to affiliated insurance/reinsurance entities that are subject to a financial solvency regulatory system separate from that generally applicable to traditional insurers and/or reinsurers in the ceding entity’s domestic jurisdiction. The definition of “Affiliate” is established in the NAIC Model Holding Company Act. An affiliated non-traditional insurer/reinsurer is an insurance or reinsurance company that reinsures risks only from its parent or affiliates, and is subject to a financial solvency regulatory system separate from that generally applicable to traditional insurers and/or reinsurers in the ceding entity’s domestic jurisdiction. For the purpose of annual statement reporting, this definition shall be presumed to include the following, subject to the cedant’s rebuttal to its domicile:

- An affiliated insurance or reinsurance company licensed, authorized or otherwise granted the authority to operate in a single United States jurisdiction under any captive insurer law, special purpose insurer law, or other similar law separate from those applicable to traditional insurers and/or reinsurers.

- An affiliated insurance or reinsurance company licensed, authorized or otherwise granted the authority to operate in any jurisdiction outside the United States under any captive insurer law, special purpose insurer law, or other similar law separate from those applicable to traditional insurers and/or reinsurers in that non-United States jurisdiction.

- Any other affiliated insurance or reinsurance company that by law, regulation, or order, or contract is authorized to insure or reinsure only risks from its parent or affiliate.

F. For each reinsurance agreement with an affiliated captive reinsurer (same definition as 23E), provide the following information in the 2015 annual financial statements only:

- Reserve credit taken by the reporting entity for variable annuities.

- The total amount of collateral supporting any reserve credit taken, if applicable.

- A description of the nature of the collateral (funds withheld by the reporting entity, assets placed in trust for the benefit of the captive, Letters of Credit, etc.), if applicable as well as a tabular presentation of the value of all assets held by or on behalf of the captive reinsurer that back the variable annuities liabilities (including capital).

List the major asset classes, such as bonds, unconditional LOC’s, conditional LOC’s and LOC-like instruments, parental guarantees, etc. Note which assets that would not normally meet the definition of an admitted asset under SSAP No. 4.

Indicate the basis of the valuation of the assets (carrying value, fair value, statutory, etc.)
Illustration:

B. Uncollectible Reinsurance

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

(1) The Company has written off in the current year reinsurance balances due from the companies listed below, the amount of: $_______

That is reflected as:

<table>
<thead>
<tr>
<th>Company</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>XYZ</td>
<td>$_______</td>
</tr>
<tr>
<td>ZYX</td>
<td>$_______</td>
</tr>
</tbody>
</table>
Column 6 — Type of Reinsurance Ceded

Use the following abbreviations to identify the plan and type of reinsurance. For example, group coinsurance with funds withheld should be identified as COFW/G. (If there is more than one type of reinsurance in the same reinsurance company, show each type on a separate line.) NOTE: The type should be entered in all capital letters, and ALL reinsurance types must be followed by /G (for Group) or /I (for Individual).

**Abbreviations:**

<table>
<thead>
<tr>
<th>I</th>
<th>Individual</th>
</tr>
</thead>
<tbody>
<tr>
<td>G</td>
<td>Group</td>
</tr>
</tbody>
</table>

All Reinsurance Types should be followed by /I or /G.

**REINSURANCE TYPES**

<table>
<thead>
<tr>
<th>CO</th>
<th>ACO</th>
</tr>
</thead>
<tbody>
<tr>
<td>COFW</td>
<td>ACOFW</td>
</tr>
<tr>
<td>MCO</td>
<td>AMCO</td>
</tr>
<tr>
<td>MCOFW</td>
<td>AMCOFW</td>
</tr>
<tr>
<td>COMB</td>
<td>ACOMB</td>
</tr>
<tr>
<td>COMBW</td>
<td>ACOMBW</td>
</tr>
<tr>
<td>YRT</td>
<td>GMDB</td>
</tr>
<tr>
<td>YRTFW</td>
<td>GMDBFW</td>
</tr>
<tr>
<td>CAT</td>
<td>ADB</td>
</tr>
<tr>
<td>OTH</td>
<td>DIS</td>
</tr>
</tbody>
</table>

NOTE: The insurance type should be entered in all capital letters.
Column 7 – Type of Business Ceded

Use the following codes to identify the type of business ceded. If there is more than one type of business ceded to the same reinsurance company, show each type.

**Abbreviations:**

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>IL</td>
<td>Industrial Life</td>
</tr>
<tr>
<td>XXXL</td>
<td>XXX Life</td>
</tr>
<tr>
<td>XXXX</td>
<td>AXXX Life</td>
</tr>
<tr>
<td>CL</td>
<td>Credit Life</td>
</tr>
<tr>
<td>SC</td>
<td>Supplementary Contracts</td>
</tr>
<tr>
<td>OL</td>
<td>Other Life</td>
</tr>
<tr>
<td>FL</td>
<td>Fixed Annuities</td>
</tr>
<tr>
<td>IA</td>
<td>Indexed Annuities</td>
</tr>
<tr>
<td>VGAA</td>
<td>Variable General Account Annuities</td>
</tr>
<tr>
<td>VSAA</td>
<td>Variable Separate Account Annuities</td>
</tr>
<tr>
<td>OA</td>
<td>Other Annuities</td>
</tr>
</tbody>
</table>

**NOTE:** The Type of Business Ceded code should be entered in all capital letters.

All types of business shown above are as reported in the Analysis of Operations by Lines of Business and the Analysis of Annuity Operations by Lines of Business except as noted below:

**XXX Life:** Used to describe the actuarial reserves required to be held under Section 6 (exempting policies under 6E, 6F, or 6G) of the NAIC *Valuation of Life Insurance Policies Model Regulation* (#830), which is commonly referred to as Regulation XXX (or, more simply, XXX).

**AXXX Life:** Used to describe the actuarial reserves required to be held under Section 7 of Regulation XXX as further clarified by the NAIC *Actuarial Guideline XXXVIII—The Application of the Valuation of Life Insurance Policies Model Regulation* (AG 38), which is commonly referred to as AXXX.

If the reporting entity uses the codes XXXL (XXX Life) or AXXX (AXXX Life) as the type of business ceded for any reinsurer reported on this schedule and that business is not exempt under 6E, 6F or 6G of the NAIC *Valuation of Life Insurance Policies Model Regulation* (#830), the Supplemental XXX/AXXX Reinsurance Exhibit must be completed.

Column 8 – Amount in Force at End of Year

Report the ceded amount of the basic life insurance policy only, to agree with Line 22 of the Exhibit of Life Insurance x 1000.

For catastrophe-reinsurance (CAT), disability reinsurance (DIS), accidental death benefit reinsurance (ADB) and annuity reinsurance (ACO and AMCO), leave this column blank.

Column 9 – Reserve Credit Taken Current Year

To agree with appropriate lines in Exhibit 5 and Exhibit 7. See examples for modeco transactions contained in the general instructions for Schedule S.

Column 11 – Premiums

Amounts included in this column should represent reinsurance ceded premiums on an incurred basis, to agree with Line 20.3 of Exhibit 1, Part 1, Column 1 less Columns 8, 9 and 10.

For deposit funds and other liabilities without life or disability contingencies, leave this column blank.
Line 2.2  – Prescription Drugs

Include: Expenses for prescription drugs and other pharmacy benefits covered by the reporting entity.

Exclude: Prescription drug charges that are included in a hospital billing that should be classified as Hospital/Medical Benefits on Line 2.1.

Line 2.3  – Pharmaceutical Rebates

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

Line 2.4  – State Stop Loss, Market Stabilization and Claim/Census Based Assessments (Informational Only)

Any market stabilization payments or receipts by insurers that are directly tied to claims incurred and other claims based or census based assessments.

State subsidies based on a stop-loss payment methodology.

Unsubsidized state programs designed to address distribution of health risks across health insurers via charges to low risk-carriers that are distributed to high-risk carriers.

Refer to SSAP No. 35R, Guaranty Fund and Other Assessments, for accounting guidance.

Line 3  – Incurred Medical Incentive Pools and Bonuses

Arrangements with providers and other risk-sharing arrangements whereby the reporting entity agrees to either share savings or make incentive payments to providers to promote quality improvements as defined in the PHSA (Section 2717).

Should agree to Supplemental Health Care Exhibit, Part 2, Line 2.11, for each column.

Health Statement:

Column 15 should equal Underwriting and Investment Exhibit, Part 2, Line 13, Column 1 minus 10.

Line 4  – Deductible Fraud and Abuse Detection/Recovery Expenses

This amount is the lesser of the expense reported in Part 3, Column 7, Lines 1.11, 2.11, 3.11, 4.11, 5.11, 6.11, 7.11, 8.11 and 9.11, and the fraud and abuse recoveries reported in Part 2, Line 3, Columns 1, 2, 3, 4, 5, 6, 7, 8 and 9, respectively.

Line 5.0  – Total Incurred Claims (Lines 2.1 + 2.2 – 2.3 + 3)

Should agree with Supplemental Health Care Exhibit, Part 2, Line 2.15.

Line 5.1  – Net Assumed Less Ceded Reinsurance Claims Incurred

Assumed reinsurance claims paid plus the change in the assumed reinsurance claims liability and aggregate assumed reinsurance claims reserve less the ceded reinsurance claims paid plus the change in the ceded reinsurance claims liability and aggregate ceded reinsurance claims reserve less the change in claims related reinsurance recoverables.

Should agree with Supplemental Health Care Exhibit, Part 2, Line 2.16 plus Line 2.17, less Line 2.18, for each column.
Line 5.2  –  Other Adjustments Due to MLR Calculation – Claims

Any amounts excluded from claims in Part 2 for MLR calculation purposes.

Deduct: MLR rebated incurred included in Line 5.0

Line 5.3  –  Rebates Paid

MLR Rebates paid during the year.

Columns 1 through 3 should equal Note 24, Retrospectively Rated Contracts & Contracts Subject to
Redetermination, Line 24D(8), Columns 1 through 3, respectively.

| Sum of Columns 4 through 9 plus 12 should equal Note 24, Retrospectively Rated Contracts & Contracts Subject to Redetermination, Line 24D(8), Column 4.

Line 5.4  –  Estimated Rebates Unpaid at the End of the Prior Year

Should equal Line 5.5 from the prior year.

Columns 1 through 3 should equal Note 24, Retrospectively Rated Contracts & Contracts Subject to
Redetermination, Line 24D(3), Columns 1 through 3, respectively.

| Sum of Columns 4 through 9 plus 12 should equal Note 24, Retrospectively Rated Contracts & Contracts Subject to Redetermination, Line 24D(3), Column 4.

Line 5.5  –  Estimated Rebates Unpaid at the End of the Current Year

MLR rebates estimated but unpaid as of reporting period.

Columns 1 through 3 should equal Note 24, Retrospectively Rated Contracts & Contracts Subject to
Redetermination, Line 24D(9), Columns 1 through 3, respectively.

| Sum of Columns 4 through 9 plus 12 should equal Note 24, Retrospectively Rated Contracts & Contracts Subject to Redetermination, Line 24D(9), Column 4.

This cross-check is for the year-end annual statement accrual for the Public Health Service Act rebates
to Supplemental Health Care Exhibit, Part 1 April 1 filing. This amount may differ from the final payment made in accordance with the HHS filing.

Line 5.6  –  Fee-for-Service and Co-Pay Revenue (net of expenses)

Include: Revenue recognized by the reporting entity for collection of co-payments from
members and revenue derived from health services rendered by reporting entity
providers that are not included in member policies.

Deduct: Medical expenses associated with fee-for-service business.