

2007 NAIC QUARTERLY STATEMENT INSTRUCTIONS - FRATERNAL

MAR 2007 REVISIONS

PAGE 46: **SCHEDULE DB PART F SECTION 1**
Revision: Add missing lines b through e for Column 11
Reason: This is a uniform schedule adding missing lines makes instruction consistent with other statement type instructions.

PAGE 49: **SCHEDULE S**
Revision: Add additional abbreviations to the instructions for Column 6
Reason: To be consistent with the intent of adopted Blanks Proposal 2005-31BWG

PAGE 76: **SCHEDULE D PART 3**
Revision: Delete “that are still owned as of the end of the current reporting quarter” from first sentence
Reason: Clarify acquired & disposed of in current quarter also reported on schedule

PAGE 83: **SCHEDULE D PART 4**
Revision: Change the instruction for Column 9
Reason: Clarify reporting for Column 9

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.

SCHEDULE DB – PART F – SECTION 1
REPLICATED (SYNTHETIC) ASSETS OPEN

- Column 1 – Replication RSAT Number
- Enter the RSAT Number of the Replicated (Synthetic) Asset transaction administered by the CUSIP Division of Standard & Poor’s.
- Column 2 – Description of the Replicated (Synthetic) Asset
- Enter a complete and accurate description of the replicated (synthetic) asset, including a description of the relationship of the Cash Instrument(s) and the Derivative(s) used to produce the replication. Two or more lines may be used to report a complete description of the transaction.
- Column 3 – NAIC Designation or Other Description of the Replicated (Synthetic) Asset
- Enter the NAIC designation or other description that will best identify the Risk-Based Capital and Asset Valuation Reserve (if applicable) class of the replicated (synthetic) asset as if the replicated (synthetic) asset was recorded on the appropriate investment schedule.
- Column 4 – Statement Value of Replicated (Synthetic) Asset
- Enter the statement value of the replicated (synthetic) asset as if the reporting entity had purchased and accounted for the specified asset. Companies should document the determination of this value.
- Column 5 – Fair Value of the Replicated (Synthetic) Asset
- Enter the fair value of the replicated (synthetic) asset. The fair value is the value at which the instrument(s) could be exchanged in a current transaction. Amortized or book values should not be substituted for fair value. Below is a list of fair value sources. Public market quotes are the best indication of fair value. If public market quotes are not available, the reporting entity should seek a fair value from item b through e.
- a. Public market quotes
 - b. Fair value provided by broker
 - c. Management estimate
 - d. Pricing service
 - e. Pricing matrix
- Companies should document the determination of this value.
- Column 6 – Description of Derivative Instruments Open
- Identify the derivative(s) used in the replicated (synthetic) asset transaction; e.g., swap, call option, etc.
- Column 7 – Fair Value of Derivative Instruments Open
- Enter the fair value of derivative instrument(s) open at the end of the period. The fair market value is the value at which the instrument(s) could be exchanged in a current transaction. Amortized or book values should not be substituted for fair value. Below is a list of fair value sources. Public market quotes are the best indication of fair value. If public market quotes are not available, the reporting entity should seek a fair value from item b through e.
- a. Public market quotes
 - b. Fair value provided by broker
 - c. Management estimate
 - d. Pricing service
 - e. Pricing matrix

Companies should document the determination of this value.

Column 8 – CUSIP of Cash Instrument(s) Held

Enter the CUSIP or Investment Number of the Cash Instrument(s) used in the replicated (synthetic) asset as the instrument appears on the appropriate investment schedule.

Column 9 – Description of Cash Instrument(s) Held

Enter description of the cash instruments used in the replicated (synthetic) asset. This description is for reference purposes only, and is not intended to replace the appropriate reporting on other investment schedules. List each cash instrument separately, i.e., do not aggregate cash instruments having the same NAIC rating.

Column 10 – Statement Value of Cash Investment(s) Held

Enter the statement value of the cash instrument(s) used in the replicated (synthetic) asset transaction as it appears on related investment schedules.

Column 11 – Fair Value of Cash Instrument(s) Held

Enter the fair value of cash instrument(s) used in the replicated (synthetic) asset. The fair market value is the value at which the instrument(s) could be exchanged in a current transaction. Amortized or book values should not be substituted for fair value. Below is a list of fair value sources. Public market quotes are the best indication of fair value. If public market quotes are not available, the reporting entity should seek a fair value from item b through e.

- a. Public market quotes
- b. Fair value provided by broker
- c. Management estimate
- d. Pricing service
- e. Pricing matrix

Companies should document the determination of this value.

Column 12 – NAIC Designation or Other Description of Cash Instrument(s) Held

Enter the NAIC designation or other description of the cash instrument(s) used in the replicated (synthetic) asset transaction (see Column 3).

SCHEDULE DB – PART F – SECTION 2

RECONCILIATION OF REPLICATED (SYNTHETIC) ASSETS OPEN

Use this schedule in both the quarterly and annual statements.

Number of Positions

Enter the number of transactions that have unique RSAT numbers.

Replicated (Synthetic) Asset Statement Values

Enter Statement Value of the replicated (synthetic) asset, as if the reporting entity had purchased and accounted for the specific asset. Companies should document the determination of this value. The values indicated should be the aggregate of the values for all open replicated (synthetic) assets.

Column 5 – Location

For each domestic reinsurer or U.S. branch listed, this column should be completed with the domiciliary jurisdiction – city and state. For alien reinsurers, this column should be completed with the country where the alien is domiciled.

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.) 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: Individual – I; Group – G; Catastrophe – CAT; Yearly renewable term – YRT; Coinsurance – CO; Modified coinsurance – MCO; Coinsurance with funds withheld – COFW; Modified coinsurance with funds withheld – MCOFW; Combination coinsurance/modified coinsurance – COMB; Combination coinsurance/modified coinsurance with funds withheld – COMBW, Disability benefits – DIS; Accidental death benefit – ADB; Annuity coinsurance – ACO; Annuity modified coinsurance – AMCO; Annuity coinsurance with funds withheld – ACOFW; Annuity modified coinsurance with funds withheld – AMCOFW; Annuity combination coinsurance/modified coinsurance – ACOMB; Annuity combination coinsurance/modified coinsurance with funds withheld – ACOMBW, Other reinsurance – OTH.

NOTE: The insurance type should be entered in all capital letters.

Column 7 – Is Insurer Authorized? (Yes or No)

The determination of the authorized or unauthorized status of an insurer or reinsurer shall be based on the status of that insurer or reinsurer in the reporting company's state of domicile.

SCHEDULE T – DISTRIBUTION OF BUSINESS BY STATES AND TERRITORIES

CURRENT YEAR TO DATE – ALLOCATED BY STATES AND TERRITORIES

This schedule is intended to exhibit the amount of premium and annuity considerations and deposit-type contracts allocated to each state. All U.S. business must be allocated by state regardless of license status. Report year-to-date premiums and annuity considerations for life and accident and health contracts and deposit-type contracts for direct business. Exclude contract proceeds left with the reporting entity, such as amounts for supplemental contracts, dividend or refund accumulations and other similar items. Dividends or refunds on contracts that are used to pay renewal life and accident and health insurance premiums or annuity consideration should be included in the amounts allocated to the states and territories in Columns 2, 3, 4 and 5.

Refer to SSAP No. 50, Classifications and Definitions of Insurance Contracts in Force, for life, accident and health and deposit-type contract definitions; SSAP No. 51, Life Contracts; and SSAP No. 52, Deposit-Type Contracts, for accounting guidance.

Column 2 – Life Contracts - Life Insurance Premiums
Report premiums received for life insurance and for all supplemental benefits attached to life insurance contracts.

Column 3 – Life Contracts - Annuity Considerations
Report allocated annuity considerations received for contracts that incorporate any mortality or morbidity risk.

Column 4 – Accident and Health Insurance Premiums, Including Policy, Membership and Other Fees
Accident and health insurance premiums may be reported either on a cash basis or on a written basis. In the latter case, cash basis ledger amounts must be adjusted by due and unpaid premium amounts for each state and territory to which they are allocated.
Include: All Medicare Part D Prescription Drug Coverage, whether sold on a stand-alone basis or through a Medicare Advantage product and whether sold directly to an individual or through a group.

Column 5 – Other Considerations
Include: Unallocated annuity considerations and other unallocated deposits that incorporate any mortality or morbidity risk and are not reported in Columns 2, 3 or 4.

Column 7 – Deposit-Type Contract Funds
Report deposits and other amounts received for contracts without any mortality or morbidity risk.
Include: Deposits for Guaranteed Investment Contracts and Immediate Annuities without life contingencies.

Line 58 – Aggregate Other Alien
Enter the total of write-ins listed in schedule Details of Write-ins Aggregated at Line 58 for Other Alien.

Line 90 – Reporting Entity Contributions for Employee Benefit Plans
Report the reporting entity's share of costs for employee benefit plans. Exclude any premiums paid by employees; these should be allocated to the states as above.

Column 15 – Investment Income

Include: The proportionate share of interest, dividends and other investment income received year-to-date on the investments reported in this schedule.

Exclude: Distributions of investment during year-to-date.

SCHEDULE D – PART 3

LONG-TERM BONDS AND STOCKS ACQUIRED BY THE COMPANY DURING THE CURRENT QUARTER

This schedule should include a detail listing of all securities that were purchased/acquired during the current reporting quarter. Detailed information for investments that are acquired and disposed of during the current reporting quarter should be included in this schedule and in Schedule D, Part 4. Note that this is not a detailed listing of items for the Year-to-Date. This should include all transactions that adjust the cost basis of the securities. Thus, it should not be used for allocations of TBAs to specific pools subsequent to initial recording in Schedule D, Part 3, or other situations such as CUSIP number changes. The following list of items provides examples of the items that should be included:

Purchases of securities not previously owned;

Subsequent purchases of investment issues already owned;

Acquisition of a new stock through a stock dividend (e.g., spin off); and

Any increases in the investments in SCA companies that adjust the cost basis (e.g., subsequent capital infusions [investments] in SCA companies valued using the equity method).

This schedule should NOT be used for stock splits to show increases in the number of shares; nor should it be used for stock dividends to show increases in the number of shares (unless the stock shares received as dividends are in a stock that is not already owned by the reporting entity – e.g., received in a spin off).

Bonds, preferred stocks and common stocks are to be grouped separately, showing a subtotal for each category.

Class One Bond Mutual Funds and Exchange Traded Funds, which are described in the *Annual Statement Instructions* to Schedule D, Part 1, are to be included in Industrial and Miscellaneous (Unaffiliated).

Bonds are to be grouped as listed below and each category arranged alphabetically (securities included in States, Territories and Possessions, Political Subdivisions of States, Territories and Possessions, and Special Revenue and Special Assessment Obligations and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions should be listed with a state abbreviation in the column provided for electronic data capture).

If a reporting entity has any detail lines reported for any of the following required categories or subcategories, it shall report the subtotal amount of the corresponding category or subcategory, with the specified subtotal line number appearing in the same manner and location as the pre-printed total or grand total line and number:

<u>Category</u>	<u>Line Number</u>
Bonds:	
U.S. Governments	0399999
All Other Governments	1099999
States, Territories and Possessions	1799999
Political Subdivisions of States	2499999
Special Revenue and Special Assessment and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions	3199999
Public Utilities (Unaffiliated)	3899999
Industrial and Miscellaneous (Unaffiliated)	4599999
Credit Tenant Loans	4699999
Parent, Subsidiaries, and Affiliates	5399999
Subtotals – Bonds – Part 3	6099997
Summary Item from Part 5 for Bonds (N/A to Quarterly)	6099998
Subtotals – Bonds	6099999

- Column 3 – Foreign
- Insert “D” for foreign securities that are denominated in a foreign currency (excluding Canadian currency). Insert “F” for securities issued in a foreign country that are denominated in U.S. dollars. Enter “C” for securities denominated in Canadian currency. Insert “U” for Canadian securities issued in U.S. but denominated in Canadian currency. Insert “I” for Canadian securities issued in U.S. and denominated in U.S. dollars. Insert “T” for Canadian securities denominated in any other foreign currency. Insert “O” for US securities issued in U.S. but denominated in any foreign currency other than Canadian.
- Column 4 – Disposal Date
- For public placements, use trade date, not settlement date. For private placements, use funding date. Each issue of bonds or stocks disposed of at public offerings on more than one date may be totaled on one line and the date of last disposal inserted.
- For Class One Bond Mutual Funds and Exchange Traded Funds, enter date of last disposal.
- Column 5 – Name of Purchaser
- If matured or called under redemption option, so state and give price at which called.
- Column 7 – Consideration
- Include: In the determination of this amount, the broker’s commission and incidental expenses of effecting delivery.
- Exclude: Accrued interest and dividends.
- For Class One Bond Mutual Funds and Exchange Traded Funds, enter price received at sale, usually the number of shares sold times the selling price per share.
- Column 8 – Par Value
- For single class and multi-class mortgage-backed/asset-backed securities, enter the par amount of principal sold on a security on which the reporting entity has a claim. For interest-only bonds without a principal amount on which the reporting entity has a claim, use a zero value. Enter the minimum guaranteed par value for bonds with adjustable principal. An interest-only bond with a small par amount of principal would use that amount.
- For preferred stock, enter par value per share of stock, if any.
- For Class One Bond Mutual Funds and Exchange Traded Funds, enter 0.
- Column 9 – Actual Cost
- This is the recorded cost of the investment purchased during or prior to the current reporting quarter and sold during the current reporting quarter. If purchase was recorded on prior year Annual Statement and sold during the current reporting quarter, the amount will come from the prior reporting year’s Actual Cost column of Schedule D, Part 1 for bonds, Schedule D, Part 2, Section 1 for preferred stock, and Schedule D, Part 2, Section 2 for common stock. However, it will need to be adjusted due to other than temporary impairments recognized **year-to-date**.
- Include: Cost of acquiring the bond or stock, including broker’s commission and other related fees to the extent they do not exceed the fair market value at the date of acquisition.
- Exclude: Accrued interest and dividends.

For Class One Bond Mutual Funds and Exchange Traded Funds, enter aggregate original cost associated with the shares sold.

Column 10 – Prior Year Book/Adjusted Carrying Value

This should equal the Book/Adjusted Carrying Value amount reported in the prior year annual statement for each specific security. If security was not owned at prior year-end, enter zero.

Column 11 – Unrealized Valuation Increase/(Decrease)

The total unrealized valuation increase/(decrease) for a specific security will be the amount necessary to reverse the net effect of any unrealized gains/(losses) recognized while the security was carried (up to the most recent amortized value for securities that have been carried at Amortized Value or up to Actual Cost for those securities that have never been carried at Amortized Value).

Column 12 – Current Year's (Amortization)/Accretion

This amount should equal the year-to-date amortization of premium or accrual of discount up to the disposal date.

These amounts are to be reported as unrealized capital gains or (losses) in the Capital and Surplus Account (Page 4).

Column 13 – Current Year's Other Than Temporary Impairment Recognized

If the security has suffered an "other than temporary impairment," this column should contain the amount of the direct write-down recognized. The amounts in this column are to be used in the calculation of Net Income.

Column 14 – Total Change in Book/Adjusted Carrying Value

This column should equal the net of:

Unrealized Valuation Increase/(Decrease)	plus
Current Year's (Amortization)/Accretion	minus
Current Year's Other Than Temporary Impairment Recognized.	

This amount, plus any foreign exchange adjustment related to these amounts (reported in the Total Foreign Exchange Change in Book/Adjusted Carrying Value column), should represent the difference between the current reporting year's Book/Adjusted Carrying Value at Disposal Date and the prior year's Book/Adjusted Carrying Value.

Column 15 – Total Foreign Exchange Change in Book/Adjusted Carrying Value

This is a positive or negative amount that is defined as the portion of the total change in Book/Adjusted Carrying Value on a year-to-date basis that is attributable to foreign exchange differences for a particular security. The amounts reported in this column should be included as net unrealized foreign exchange capital gain/(loss) in the Capital and Surplus Account (Page 4).

Column 16 – Book/Adjusted Carrying Value at Disposal Date

Deduct: A direct write-down for a decline in the fair value of a bond that is other than temporary.

Exclude: Accrued Interest.

For Class One Bond Mutual Funds and Exchange Traded Funds, enter same number as in Column 9.