

**2007 NAIC QUARTERLY STATEMENT INSTRUCTIONS - TITLE**

**MAR 2007 REVISIONS**

**PAGE 65:**                               **SCHEDULE BA PARTS 1 AND 2**  
Revision:                               Adjust alignment of words “Mortgage Obligations”  
Reason:                                 Clarify this belongs under Fixed Income Instruments

**PAGE 74:**                               **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 81:**                               **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](http://www.naic.org/committees_e_app_blanks.htm).



## Mortgage Obligations.

### For Life and Fraternal Insurers:

Any investments deemed by the insurer to possess the underlying characteristics of fixed income instruments which qualify for Filing Exemption or that have been reviewed and approved by the Securities Valuation Office (SVO) within this category.

Exclude:

### For Life and Fraternal Insurers:

Any investments deemed by the insurer to possess the underlying characteristics of fixed income instruments, but for which the Securities Valuation Office (SVO) has not affirmed that the specific BA investment (identified by CUSIP) fits in this subcategory. Until affirmed by the SVO, report these BA investments in the "Other" subcategory of this category.

## Common Stocks

Include: Venture Capital Funds.

## Real Estate

Include: Real estate development interest.

## Other

Include: Limited partnership interests in oil and gas production.  
Forest product partnerships.

Investments within the Joint Venture and Partnership Interests category that do not qualify for inclusion in the "Fixed Income Instruments", "Common Stocks" or "Real Estate" subcategories.

### For Life and Fraternal Insurers:

This includes investments believed by the insurer to have the underlying characteristics of "Fixed Income Instruments" but which do not qualify for Filing Exemption and have not been reviewed by the SVO, as well as those that have been reviewed by the SVO and were determined to have the underlying characteristics of "Other" instruments.

## Surplus Debentures, etc.

Include: That portion of any subordinated indebtedness, surplus debenture, surplus note, debenture note, premium income note, bond, or other contingent evidence of indebtedness that is reported on the surplus.

## Collateral Loans

Include: In the description column, the name of the actual borrower and state if the borrower is a parent, subsidiary, affiliate, officer or director. Also include the type of collateral held.

## Non-collateral Loans

Include: In the description column, the name of the actual borrower. For affiliated entities, state if the borrower is a parent, subsidiary, affiliate, officer or director. Refer to SSAP No. 20, Nonadmitted Assets and SSAP No. 25, Accounting for and Disclosures about Transactions with Affiliates and Other Related Parties, for accounting guidance.

Capital Notes

Include: The portion of any capital note that is reported on the line for capital notes of the issuing insurance reporting entity.

Low Income Housing Tax Credit

Include: All Low Income Housing Tax Credit Investments (LIHTC or affordable housing) that are in the form of a Limited Partnership or a Limited Liability Company including those investments that have the following risk mitigation factors:

- A. Guaranteed Low Income Housing Tax Credit Investments. There must be an all inclusive guarantee from NRSRO rated entity which guarantees the yield on the investment.
- B. Non-guaranteed Low Income Housing Tax Credit Investments.
  - I. A level of leverage below 50%. For a LIHTC Fund, the level of leverage is measured at the fund level.
  - II. There is a Tax Credit Guarantee Agreement from General Partner or managing member. This agreement requires the General Partner or managing member to reimburse investors for any shortfalls in tax credits due to errors of compliance, for the life of the partnership. For a LIHTC Fund, a Tax Credit Guarantee is required from the developers of the lower tier LIHTC properties to the upper tier partnership and all other LIHTC investments.
  - III. There are sufficient operating reserves, capital replacement reserves and/or operating deficit guarantees present to mitigate foreseeable foreclosure risk at the time of the investment.

Non-qualifying LIHTCs should be reported in the all other category.

Any Other Class of Assets

Include: Investments that do not fit one of the other categories. Some examples of items that may be included are employee benefit trusts and liquidation trusts.

For Life and Fraternal Insurers:

This includes investments believed by the insurer to fit the category of “Fixed or Variable Interest Rate Investments that Have the Underlying Characteristics of a Bond, Mortgage Loan or Other Fixed Income Instrument,” but which do not qualify for Filing Exemption and have not been reviewed by the SVO, as well as those that have been reviewed by the SVO and were determined to be “Any Other Class of Assets”.

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.

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.