2009 NAIC ANNUAL STATEMENT INSTRUCTIONS – LIFE

DEC 2009 REVISIONS

PAGE 130 – 131.1:	**NOTES TO FINANCIAL STATEMENTS**
Revision:	Add instructions for Note 9
Reason:	Result of changes adopted by SAPWG for SSAP No. 10

PAGE 165 – 166:	**NOTES TO FINANCIAL STATEMENTS**
Revision:	Add instructions & Illustration for Note 21
Reason:	Result of changes adopted by SAPWG for SSAP No. 9

PAGE 389:	**SCHEDULE D, PART 6, SECTION 1**
Revision:	Update codes shown in instructions
Reason:	Location of SVO Manual instruction changed due to reformatting of manual. New codes reflect location like previous codes did.

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.

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Illustration:

A. The Company has no investments in Joint Ventures, Partnerships or Limited Liability Companies that exceed 10% of its admitted assets.

B. The Company did not recognize any impairment write down for its investments in Joint Ventures, Partnerships and Limited Liability Companies during the statement periods.

7. Investment Income

Instruction:

Disclose the following for investment income due and accrued in the financial statements:

A. The bases, by category of investment income, for excluding (nonadmitting) any investment income due and accrued,

B. The total amount excluded.

Illustration:

A. Due and accrued income was excluded from surplus on the following bases:

All investment income due and accrued with amounts that are over 90 days past due with the exception of mortgage loans in default.

B. The total amount excluded was $_________.

8. Derivative Instruments

Instruction:

Disclose the following information by category of derivative financial instrument:

A. A discussion of the market risk, credit risk and cash requirements of the derivative.

B. A description of the reporting entity's objectives for using derivatives, i.e. hedging, income generation or replication, as well as a description of the context needed to understand those objectives and its strategies for achieving those objectives, including the identification of the category, e.g. fair value hedges, cash flow hedges, or foreign currency hedges, and for all objectives, the type of instrument(s) used.

C. A description of the accounting policies for recognizing (or reasons for not recognizing) and measuring the derivatives used, and when recognized and where those instruments and related gains and losses are reported.

D. The net gain or loss recognized in unrealized gains or losses during the reporting period representing the component of the derivative instruments' gain or loss, if any, excluded from the assessment of hedge effectiveness.

E. The net gain or loss recognized in unrealized gains or losses during the reporting period resulting from derivatives that no longer qualify for hedge accounting.

F. For derivatives accounted for as cash flow hedges of a forecasted transaction, disclose:

(1) The maximum length of time over which the entity is hedging its exposure to the variability in future cash flows for forecasted transactions excluding those forecasted transactions related to the payment of variable interest on existing financial instruments; and

(2) The amount of gains and losses classified in unrealized gains/losses related to cash flow hedges that have been discontinued because it was no longer probable that the original forecasted transactions would occur by the end of the originally specified time period or within 2 months of that date.

9. Income Taxes

Instruction:

A. Disclose the components of the net deferred income tax asset (DTA) or deferred tax liability (DTL) recognized in the Company's financial statements as follows:

(1) The total of all DTAs (gross, adjusted gross, admitted and nonadmitted) by tax character;

(2) The total of all DTLs by tax character;

(3) Net deferred tax asset (liability) [(1) – (2)]

Should agree with (Asset Page, Line 16.2, Column 1) – (Liability Page, Line 15.2, Column 1);

(4) The total DTAs nonadmitted as the result of the application of SSAP No. 10R, Income Taxes – Revised, A Temporary Replacement of SSAP No. 10;

(5) The Total of all DTAs admitted [(3) – (4)], not less than zero

Should agree with Asset Page, Line 16.2, Column 3;

(6) The net change during the year in the total DTAs nonadmitted.

(7) Whether the reporting entity has elected to admit DTAs pursuant to SSAP No. 10R, Income Taxes – Revised, A Temporary Replacement of SSAP No. 10; and whether the current-period election differs from the prior reporting period;

(8) The increased amount by tax character, and the change in such, of admitted adjusted gross DTAs as the result of the application of SSAP No. 10R, Income Taxes – Revised, A Temporary Replacement of SSAP No. 10, if applicable;

(9) The amount of each result or component of the calculation, by tax character and the risk-based capital level (total adjusted capital and authorized control level) as the result of the application of SSAP No. 10R, Income Taxes – Revised, A Temporary Replacement of SSAP No. 10.; and

(10) The amount of admitted DTAs, admitted assets, statutory surplus and total adjusted capital in the risk-based capital calculation and the increased amount of DTAs, admitted assets and surplus as the result of the application of SSAP No. 10R, Income Taxes – Revised, A Temporary Replacement of SSAP No. 10, if applicable.

B. To the extent that DTLs are not recognized for amounts described in paragraph 31 of FAS 109, disclose the following:

(1) A description of the types of temporary differences for which a DTL has not been recognized and the types of events that would cause those temporary differences to become taxable;

(2) The cumulative amount of each type of temporary difference;

(3) The amount of the unrecognized DTL for temporary differences related to investments in foreign subsidiaries and foreign corporate joint ventures that are essentially permanent in duration, if determination of that liability is practicable, or a statement that determination is not practicable; and

(4) The amount of the DTL for temporary differences other than those in item (3) above that is not recognized.

C. Disclose the significant components of income taxes incurred (i.e., current income tax expenses) and the changes in DTAs and DTLs. These components would include, for example:

(1) Current tax expense or benefit;

(2) The change in DTAs and DTLs (exclusive of the effects of other components listed below);

(3) Investment tax credits;

(4) The benefits of operating loss carry forwards;

(5) Adjustments of a DTA or DTL for enacted changes in tax laws or rates or a change in the tax status of the reporting entity; and

(6) Adjustments to gross deferred tax assets because of a change in circumstances that causes a change in judgment about the realizability of the related deferred tax asset, and the reason for the adjustment and change in judgment.

D. To the extent that the sum of a reporting entity's income tax incurred and the change in its DTAs and DTLs is different from the result obtained by applying the federal statutory rate to its pretax net income, a reporting entity should disclose the nature of the significant reconciling items.

E. A reporting entity should also disclose the following:

(1) The amounts, origination dates and expiration dates of operating loss and tax credit carry forwards available for tax purposes;

(2) The amount of federal income taxes incurred in the current year and each preceding year that are available for recoupment in the event of future net losses; and

(3) The aggregate amount of deposits admitted under Section 6603 of the Internal Revenue Service Code.

F. If the reporting entity's federal income tax return is consolidated with those of any other entity or entities, provide the following:

(1) A list of names of the entities with which the company's federal income tax return is consolidated for the current year, and

(2) The substance of the written agreement approved by the company's Board of Directors that sets forth the manner in which the total consolidated federal income tax for all entities is allocated to each entity that is a party to the consolidation. (If no written agreement has been executed, explain why such an agreement has not been executed.) Describe the method of allocation, setting forth the manner in which the company has an enforceable right to recoup federal income taxes in the event of future net losses that it may incur or to recoup its net losses carried forward as an offset to future net income subject to federal income taxes.

Refer to SSAP No. 10, Income Taxes, for accounting guidance on disclosure requirements, and INT 06-12 for more detail on protective tax deposits.

Illustration:

NOTE: Illustrations below do not reflect changes adopted by SSAP No. 10R, Income Taxes – Revised, A Temporary Replacement of SSAP No. 10

A. The components of the net deferred tax asset/(liability) at December 31 are as follows:

See illustration in paragraph 12.26 of the SSAP No. 10, Income Taxes Q&A.

B. Regarding deferred tax liabilities that are not recognized:

See example in paragraph 12.27 of the SSAP No. 10, Income Taxes Q&A.

C. Current income taxes incurred consist of the following major components:

See illustration in paragraph 12.28 of the SSAP No. 10, Income Taxes Q&A.

The main components of the 20__ deferred tax amounts are as follows:

See illustration in paragraph 12.29 of the SSAP No. 10, Income Taxes Q&A.

The changes in main components of DTAs and DTLs are as follows:

See illustration in paragraph 12.30 of the SSAP No. 10, Income Taxes Q&A.

D. Among the more significant book to tax adjustments were the following:

See illustration in paragraph 12.31 of the SSAP No. 10, Income Taxes Q&A.

E. See example in paragraph 12.32 of the SSAP No. 10, 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 12.33 of the SSAP No. 10, Income Taxes Q&A.

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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, for the benefit of an affiliate or related party that result in a material contingent exposure of the reporting entity's or any related party's assets or liabilities;

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; and

(3) Direct exposure through other investments.

	1 Actual Cost	2 Book/Adjusted Carrying Value (excluding interest)	3 Fair Value	4 Other Than Temporary Impairment Losses Recognized
a. Residential mortgage-backed securities				
b. Commercial mortgage-backed securities				
c. Collateralized debt obligations				
d. Structured securities				
e. Equity investment in SCAs *				
f. Other assets				
g. Total				

* ABC Company's subsidiary XYZ Company has investments in subprime mortgages. These investments comprise _____% of the companies invested assets.

(4) Underwriting exposure to subprime mortgage risk through Mortgage Guaranty or Financial Guaranty insurance coverage.

	1 Losses Paid in the Current Year	2 Losses Incurred in the Current Year	3 Case Reserves at End of Current Period	3 IBNR Reserves at End of Current Period
a. Mortgage Guaranty Coverage				
b. Financial Guaranty Coverage				
c. Other Lines (specify):				
d. Total				

21. Events Subsequent

Refer to SSAP No. 9, Subsequent Events, for accounting guidance.

Instruction:

Subsequent events shall be considered either:

Type I – Recognized Subsequent Events:

Events or transactions that provide additional evidence with respect to conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements;

Type II – Nonrecognized Subsequent Events:

Events or transactions that provide evidence with respect to conditions that did not exist at the date of the balance sheet but arose after that date.

For material Type I subsequent events, the nature and the amount of the adjustment shall be disclosed only if necessary to keep the financial statements from being misleading.

Material Type II subsequent events shall not be recorded in the financial statements, but shall be disclosed in the notes to the financial statements. For such events, an entity shall disclose the nature of the event and an estimate of its financial effect, or a statement that such an estimate cannot be made.

An entity also shall consider supplementing the historical financial statements with pro forma financial data. Occasionally, a nonrecognized subsequent event may be so significant that disclosure can best be made by means of pro forma financial data. Such data shall give effect to the event as if it had occurred on the balance sheet date. In some situations, an entity also shall consider presenting pro forma statements. If the Type II subsequent event is of such a nature that pro forma disclosures are necessary to keep the financial statements from being misleading, disclose supplemental pro forma financial data including the impact on net income, surplus, total assets, and total liabilities giving effect to the event as if it occurred on the date of the balance sheet.

Reporting entities shall disclose the dates through which subsequent events have been evaluated along with the dates the statutory reporting statements were issued, or available to be issued.

Illustration:

Type I – Recognized Subsequent Events:

Subsequent events have been considered through __/__/__ for the statutory statement issued on __/__/__.

On February 1, 20___, a settlement was reached in a major lawsuit against the Company. In conjunction with the lawsuit, the Company estimated and recorded a liability of $_______ on Line ___ of the Liabilities, Surplus and Other Funds page. The actual settlement amount of $_______ was paid to the plaintiff on February 10. The change will be recorded in the First Quarter Statement on Line ___ of the Statement of Income.

Type II – Nonrecognized Subsequent Events:

Subsequent events have been considered through __/__/__ for the statutory statement issued on __/__/__.

The Company faces loss exposure from the January 15, 20___ earthquake in the State of __________. This exposure is primarily in the Company's property and casualty subsidiaries, but also includes potential losses on its real estate and mortgage loan portfolios. Based on a review of the range of expected loss, the Company does not believe this event will have a material impact on its financial condition.

22. Reinsurance

Instruction:

A. Ceded Reinsurance Report

Section 1 – General Interrogatories

(1) Are any of the reinsurers, listed in Schedule S as non-affiliated, owned in excess of 10% or controlled, either directly or indirectly, by the company or by any representative, officer, trustee, or director of the company?

Yes ( ) No ( )

If yes, give full details.

(2) Have any policies issued by the company been reinsured with a company chartered in a country other than the United States (excluding U.S. Branches of such companies) that is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or any other person not primarily engaged in the insurance business?

Yes ( ) No ( )

If yes, give full details.

Section 2 – Ceded Reinsurance Report – Part A

(1) Does the company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credits?

Yes ( ) No ( )

a. If yes, what is the estimated amount of the aggregate reduction in surplus of a unilateral cancellation by the reinsurer as of the date of this statement, for those agreements in which cancellation results in a net obligation of the reporting entity to the reinsurer, and for which such obligation is not presently accrued? Where necessary, the reporting entity may consider the current or anticipated experience of the business reinsured in making this estimate. $________________

Column 1 – CUSIP Identification

All CUSIP/PPN/CINS numbers must conform to those published by the Securities Valuation Office (SVO). CUSIP numbers for all purchased publicly issued securities are available from the broker's confirmation or the certificate and will be identical to those used by the SVO. For private placement securities, the NAIC has created a special number called a PPN to be assigned by the Standard and Poor's CUSIP Bureau. For foreign securities, use a CINS that is assigned by the Standard and Poor's CUSIP Bureau.

NAIC numbers for privately placed (unregistered) securities (PPNs) owned prior to December 31, 1988, were made available to all insurers by the SVO in a special publication in early 1989 and are published in the December 31, 1989, and all subsequent versions of the *Valuation of Securities*. Number assignments for privately issued securities purchased subsequent to December 31, 1988, will be made by a special NAIC facility at the Standard and Poor's CUSIP Bureau. Call the SVO for details. Such a number must be obtained and provided to the SVO before any privately issued security can be listed in the *Valuation of Securities*.

Column 2 – Description

List the preferred and common stocks for each subsidiary, controlled, or affiliated (SCA) company, as defined in the General section of these instructions.

Column 3 – Foreign

Insert the appropriate code in the column based on the matrix provided in the Investment Schedules General Instructions.

Column 5 – NAIC Valuation Method

Include the NAIC valuation method as detailed in Part FIVE, Section 4 of the *Purposes and Procedures Manual of the NAIC Securities Valuation Office*.

Use the following codes to indicate a specific valuation method:

CODE	Valuation Method
4ciA1	Market Value
4ciB1	Investment in US Insurance Company SCAs
4ciB2	Investments in non-insurance SCA Entities Statutory Basis
4ciB3	Investments in non-insurance SCA Entities GAAP Basis
4ciB4	Investments in Foreign Insurance Company SCA Entities
4ciB5	Investments in Foreign non-insurance SCA Entities
4ciB6	Investments in Preferred Stock of an SCA

Any NAIC Valuation Method which has not been approved by the filing of a SUB 1 form with the NAIC Securities Valuation Office and which is entered by the insurer under its own judgment shall have the letter "Z" appended to the method designation.

Column 6 – Do Insurer's Assets Include Intangible Assets Connected with Holding of Such Company's Stock?

State whether the assets shown by the insurer in this statement include, through the carrying value of stock of the SCA Company valued under the *Purposes and Procedures Manual of the NAIC Securities Valuation Office*, intangible assets arising out of the purchase of such stock by the insurer or the purchase by the SCA Company of the stock of a lower-tier company controlled by the SCA Company. For purposes of this question, intangible assets at purchase shall be defined as the excess of the purchase price over the tangible net worth (total assets less intangible assets and total liabilities) represented by such shares as recorded, immediately prior to the date of purchase, on the books of the company whose stock was purchased.

Column 7 – Total Amount of Such Intangible Assets

If the answer in Column 6 is "Yes," give the total amount of intangible assets involved whether admitted or nonadmitted. The intangible assets shown for the SCA Company should include any intangible assets that are included in the SCA Company's carrying value of the stock of one or more lower-tier companies controlled by the SCA Company. In all cases, the current intangible assets equal the intangible assets at purchase, as defined above, minus any writeoff thereof between the date of purchase and the statement date. If any portion of the total amount of intangible assets is required to be nonadmitted for all SCA companies combined in accordance with SSAP No. 88, Investments in Subsidiary, Controlled, and Affiliated Entities, A Replacement of SSAP No. 46 and SSAP No. 68, Business Combinations and Goodwill, state the total amount nonadmitted in the footnote at the bottom of the this section of the schedule.

Columns 9 and 10 – Stock of Such Company Owned by Insurer on Statement Date

State the number of shares of stock of the SCA Company owned by the insurer on the statement date and the percent owned of the outstanding shares of the same class.