

2009 NAIC QUARTERLY STATEMENT INSTRUCTIONS – FRATERNAL

MARCH 2009 REVISIONS

PAGE 71: **SCHEDULE A PART 2**
Revision: Modify first sentence of the instruction
Reason: Clarify instruction

PAGE 76: **SCHEDULE B PART 2**
Revision: Modify first sentence of the instruction
Reason: Clarify instruction

PAGE 86: **SCHEDULE BA PART 2**
Revision: Modify first sentence of the instruction
Reason: Clarify instruction

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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SCHEDULE A – PART 2

REAL ESTATE ACQUIRED AND ADDITIONS MADE DURING CURRENT QUARTER

This schedule should reflect not only those new real estate investments and their encumbrances, but also any additions and permanent improvements to existing properties acquired in **the current and** prior periods and their encumbrances. Report individually each property acquired or transferred from another category; e.g., joint ventures, Schedule BA. Property acquired and sold during the same quarter should be reported in both Part 2 and Part 3.

If a reporting entity has any detail lines reported for any of the following required groups, it shall report the subtotal amount of the corresponding group with the specified subtotal line number appearing in the same manner and location as the pre-printed total. Exclude all leasehold improvements paid by the reporting entity from Schedule A, including Health Care leasehold improvements.

Refer to SSAP No. 40, Real Estate Investments, and SSAP No. 90, Accounting for the Impairment or Disposal of Real Estate Investments, for accounting guidance.

<u>Category</u>	<u>Line Number</u>
Acquired by purchase	0199999
Acquired by internal transfer	0299999
Totals	0399999

- Column 1 – Description of Property

Show description of property; e.g., apartment complex, land, shopping center, warehouse, etc. State if occupied or leased by company, parent, subsidiary or affiliate.

- Column 2 – City

For properties located in the U.S., list the city. If the city is unknown, indicate the county. If the property is located outside the U.S., indicate city or province.

- Column 3 – State

For properties located in U.S., list the state using the postal two-character state code. If the property is located outside the U.S., indicate the country.

- Column 4 – Date Acquired

For individual properties, state date property was acquired.

- Column 5 – Name of Vendor

Provide the name of the entity from which the property was acquired. For internal transfers, indicate “internal transfer” in lieu of a vendor name.

- Column 6 – Actual Cost at Time of Acquisition
- Include: This column should be utilized to report the cost of original purchases. The amount expended to purchase the property along with the costs associated with acquiring title.
- For foreclosed properties or voluntary conveyances, include amounts transferred from the Mortgage Loan Account along with other costs that have been capitalized (at the time of purchase).
- Exclude: Amounts expended for additions and permanent improvements that are reported in column 9.
- The amount reported in the Actual Cost column included in Schedule A, Part 2 will never differ from the actual consideration paid to purchase the investment. Any appropriate adjustments to the Actual Cost will be made in Schedule A, Part 1 or in Schedule A, Part 3. Refer to SSAP No. 90, Accounting for the Impairment or Disposal of Real Estate Investments, for the effects of impairments on the presentation of cost.
- Column 7 – Amount of Encumbrances
- Properties may be mortgaged and the outstanding principal balance, excluding accrued interest, of all liens at the end of the current period should be reported in this column.
- Column 8 – Book/Adjusted Carrying Value Less Encumbrances
- Include: The actual cost plus capitalized improvements, less depreciation, less encumbrances and net adjustments.
- Deduct: The amount of other than temporary impairment writedowns required under SSAP No. 90, Accounting for the Impairment or Disposal of Real Estate Investments.
- Exclude: Valuation allowances.
- Column 9 – Additional Investment Made After Acquisition
- This column should be utilized to report the amount expended for additions and permanent improvement.
- Exclude: Amounts expended for original acquisitions that are reported in column 6.

- Column 13 – Total Foreign Exchange Change in Book/Adjusted Carrying Value
- Enter the unrealized foreign exchange gain or loss on a year-to-date basis, including reversal of any unrealized foreign exchange gain or losses previously recorded.
- Column 14 – Book/Adjusted Carrying Value Less Encumbrances on Disposal
- Include: The actual cost plus capitalized improvements, less depreciation, less encumbrances, and net adjustments at the time of sale or transfer. For properties held for sale, the net adjustment to book value shall include the estimated costs to sell the property, in accordance with SSAP No. 90, Accounting for the Impairment or Disposal of Real Estate Investments, paragraphs 25-27.
- Deduct: The amount of other than temporary impairment writedowns required under SSAP No. 90, Accounting for the Impairment or Disposal of Real Estate Investments.
- Exclude: Valuation allowances.
- Column 15 – Amounts Received During Year
- Include: Amounts received on sale of rights and privileges on a year-to-date basis, amounts from real estate sales including those amounts received during the quarter of disposal, and other cash receipts on a year-to-date basis that reduced the book value.
- Column 16 – Foreign Exchange Gain (Loss) on Disposal
- Report the foreign currency exchange gain or loss from the disposal of the property.
- Column 17 – Realized Gain (Loss) on Disposal
- Report the market gain or loss from the disposal of the property.
- Exclude: Foreign currency gain (loss) reported in Column 16.
- Column 18 – Total Gain (Loss) on Disposal
- Enter the sum of Column 16, foreign exchange gain (loss), and Column 17, realized gain (loss).
- Column 19 – Gross Income Earned Less Interest Incurred on Encumbrances
- Include: Rental income on property occupied by the company on a year-to-date basis.
- Column 20 – Taxes, Repairs and Expenses Incurred
- Include: Amounts paid or accrued for taxes, repairs and other related expenses on a year-to-date basis.
- Exclude: Interest incurred on encumbrances.

SCHEDULE B – PART 2

MORTGAGE LOANS ACQUIRED DURING CURRENT QUARTER

Report individually all mortgage loans acquired or transferred from another category (e.g., joint ventures, Schedule BA) but also any increases or additions to mortgage loans acquired or transferred in the current or prior periods. Mortgages acquired and disposed during the same quarter should be reported in both Part 2 and Part 3. Include non-conventional mortgage loans (e.g., loans that can be increased to their maximum loan value without incurring the cost of writing a new mortgage). Also include mezzanine real estate loans. For accounting and admission guidance related to mezzanine real estate loans, refer to SSAP No. 83, Mezzanine Real Estate Loans. Collateralized Mortgage Obligations (multi-class residential mortgage-backed securities) should be included in Schedule D.

If a reporting entity has any detail lines reported for any of the following required groups, it shall report the subtotal amount of the corresponding group with the specified subtotal line number appearing in the same manner and location as the pre-printed total.

For accounting guidance related to foreign currency transactions and translations, refer to SSAP No. 23, Foreign Currency Transactions and Translations.

Life and Fraternal entities should use the lines marked with an asterisk. Property, Health and Title entities may choose to use the lines marked with an asterisk. If Property, Health and Title insurers do not use the lines marked with an asterisk; Lines 0799999, 1599999, 2399999 and 3199999 must be used. All subtotal lines 0899999, 1699999, 2499999, 3299999 and the grand total line 3399999 apply to all entities.

Mortgages in Good Standing

Farm Mortgages*	0199999
Residential Mortgages—Insured or Guaranteed*	0299999
Residential Mortgages—All Other*	0399999
Commercial Mortgages—Insured or Guaranteed*	0499999
Commercial Mortgages—All Other*	0599999
Mezzanine Loans*	0699999
Mortgages in Good Standing Not Shown on Lines 0199999 through 0699999	0799999
Total Mortgages in Good Standing (sum of 0199999 – 0799999)	0899999

Restructured Mortgages

Farm Mortgages*	0999999
Residential Mortgages—Insured or Guaranteed*	1099999
Residential Mortgages—All Other*	1199999
Commercial Mortgages—Insured or Guaranteed*	1299999
Commercial Mortgages—All Other*	1399999
Mezzanine Loans*	1499999
Restructured Mortgages Not Shown on Lines 0999999 through 1499999	1599999
Total Restructured Mortgages (sum of 0999999 – 1599999)	1699999

Mortgages with Overdue Interest over 90 days, Not in Process of Foreclosure

Farm Mortgages*	1799999
Residential Mortgages—Insured or Guaranteed*	1899999
Residential Mortgages—All Other*	1999999
Commercial Mortgages—Insured or Guaranteed*	2099999
Commercial Mortgages—All Other*	2199999
Mezzanine Loans*	2299999
Mortgages with Overdue Interest Over 90 Days, Not in the Process of Foreclosure Not Shown on Lines 1799999 through 2299999	2399999
Total Mortgages with Overdue Interest Over 90 Days, Not in the Process of Foreclosure (sum of 1799999 – 2399999)	2499999

Mortgages in the Process of Foreclosure

Farm Mortgages*	2599999
Residential Mortgages—Insured or Guaranteed*	2699999
Residential Mortgages—All Other*	2799999
Commercial Mortgages—Insured or Guaranteed*	2899999
Commercial Mortgages—All Other*	2999999
Mezzanine Loans*	3099999
Mortgages in the Process of Foreclosure Not Shown on Lines 2599999 through 3099999	3199999
Total Mortgages in the Process of Foreclosure (sum of 2599999 – 3199999)	3299999

Total Mortgages (sum of 0899999, 1699999, 2499999 and 3299999) 3399999

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 an ARO-rated entity that 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”.

SCHEDULE BA – PART 2

OTHER LONG-TERM INVESTED ASSETS ACQUIRED DURING CURRENT QUARTER

This schedule should reflect not only those newly acquired long-term invested assets, but also any increases or additions to long-term invested assets acquired in **the current and** prior periods, including, for example, capital calls from existing limited partnerships.

Column 1 – CUSIP Identification

This column must be completed by Life and Fraternal insurers that file Schedule BA investments with the Securities Valuation Office.

All CUSIP/PPN/CINS numbers entered in this column must conform to those as 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 have been 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*.

If no CUSIP number exists, the CUSIP field should be zero-filled.

Column 2 – Name or Description

Show name of the asset, such as the name of a limited partnership. If not applicable, show description of the asset.

Column 3 – City

For real estate partnerships or joint ventures located in the United States, list city. If the city is unknown, indicate the county. If the investment is outside the U.S., indicate city or province. For other BA asset types, use the city of incorporation. If no city of incorporation, use the city of administrative office.

Column 4 – State

For real estate partnerships or joint ventures located in the United States, list the state using the postal two-character state code. If the investment is outside the U.S., indicate the country.

Column 5 – Name of Vendor or General Partner

Provide the name of the entity from which the property was acquired, or the name of the General Partner of the fund. For internal transfers, indicate "internal transfer" in lieu of a vendor name.

Column 6 – NAIC Designation

This column must be completed by Life and Fraternal insurers only. All other insurers may ignore this column and its instructions.

For Schedule BA investments with the Underlying characteristics of a bond or a preferred stock instrument, insert the NAIC designation, valuation indicator or market indicator as printed in the NAIC *Valuation of Securities* or its *Supplement*.