

2009 NAIC QUARTERLY STATEMENT INSTRUCTIONS – TITLE

JUN 2009 REVISIONS

PAGE 31:

CASH FLOW

Revision:

Revise instruction 6.3 Other Cash Provided

Reason:

Current reference to 5.2 causing confusion as more than one 5.2 in Cash Flow instructions

PAGE 44:

INVESTMENT GENERAL INSTRUCTION

Revision:

Revise definition of Hybrid Securities

Reason:

Clarify definition

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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Net Deposits on Deposit-type Contracts and Other Liabilities (N/A for Title Entities)

4.1	Change in Deposit-type Contracts-Liabilities, Surplus (Page 3) current statement date less previous year	_____ (N/A for Title)
4.2	_____	_____ (N/A for Title)
4.3	Total of 4.1 + 4.2 (report on Line 16.4 of Cash Flow)	_____ (N/A for Title)

Dividends to Stockholders

5.1	Dividends to Stockholders-Capital and Surplus Account (Page 4) Line 28	_____
5.2	Change in Dividends to Stockholders-Liabilities, Surplus (Page 3) Line 10, current statement date less previous year	_____
5.3	Total of 5.1 – 5.2 (report on Line 16.5 of Cash Flow)	_____

Other Cash Provided (Applied)

6.1	Aggregate Write-ins for Gains (Losses) in Surplus-Capital and Surplus Account (Page 4) Line 30, current year-to-date	_____
6.2	Change in Misc. Liabilities-Liabilities, Surplus (Page 3) Line 13 + 14 + 17 + 18 + 20 + 22 + 25 (for amounts not more appropriately included in other lines of the Cash Flow), current statement date less Line 13 + 14 + 17 + 18 + 20 + 22 + 25 (for amounts not more appropriately included in other lines of the Cash Flow), previous year	_____
6.3	Change in Misc. Assets-Assets (Page 2) Line 18 + 19 + 21 + 22 (in part for amounts not included elsewhere) + 23 (in part for amounts not included elsewhere), Column 1, current statement date less previous year	_____
6.4	Transfer from Unassigned Surplus to lines included in 6.2	_____
6.5	Depreciation (included on Line 7.4 from Operations Worksheet)	_____
6.6	_____	_____
6.7	Total of 6.1 + 6.2 – 6.3 – 6.4 + 6.5 + 6.6 (report on Line 16.6 of Cash Flow)	_____

Reconcile Change in Liability in Reinsurance in Unauthorized Companies

1	Change in Liability for Reinsurance in Unauthorized Companies-Capital and Surplus Account (Page 4) Line 22, current year-to-date	_____
2	Change in Liability for Reinsurance in Unauthorized Companies-Liabilities, Surplus (Page 3) Line 15, current statement date less Line 15, previous year	_____
3	Total of 1 – 2 (amount should = 0, if not = 0, balance should be reported as an adjustment to the appropriate line on the Cash Flow Statement)	_____ 0

Reconcile Nonadmitted Assets:

1	Capital and Surplus Account (Page 4) Line 21 of current year-to-date	_____
2	Change in nonadmitted (Page 2) Column 2 total current statement date – Column 2 Total, previous year adjusted for amounts reported in unrealized capital gains/losses)	_____
3	Other adjustments	_____
4	Total of 1 + 2 + 3 (amount should = 0, if not =0, balance should be reported as cash from financing on line 16.6)	_____ 0

Reconcile Change in Accounting:

Capital and Surplus Account (Page 4) Line 25 of current year-to-date	_____
Allocate all amounts due to change in accounting to the appropriate section of the worksheet	

Supplemental Disclosure of Non-cash Transactions

Report the amount of non-cash investing and financing transactions consistent with the classifications contained on the Assets and Liabilities, Surplus and Other Funds (all except Health) Liabilities, Capital and Surplus (Health) page of the financial statement excluding amounts associated with policy or contract loans. Refer to SSAP No. 69, Statement of Cash Flows, for accounting guidance.

Examples of non-cash investing and financing transactions include:

- Converting debt to equity;
- Acquiring assets by assuming directly related liabilities, such as purchasing a building by incurring a mortgage to the seller; and
- Exchanging non-cash assets or liabilities for other non-cash assets or liabilities.

Illustration:

The Company reported the following non-cash investing and financing activities in 20__:

		Current <u>Year</u>	Prior <u>Year</u>
20.0001.	Real estate acquired in satisfaction of debt	XXX	XXX
20.0002.	Bonds & stocks acquired in a business acquisition	XXX	XXX
20.0003.	Policy reserves acquired in a business acquisition	XXX	XXX

To be announced securities (commonly referred to as TBAs) are to be reported in Schedule D unless the structure of the security more closely resembles a derivative, as defined within SSAP No. 86, *Accounting for Derivative Instruments and Hedging Activities*, in which case the security should be reported on Schedule DB. The exact placement of TBAs in the investment schedules depends upon how a company uses TBA.

For the Foreign Code columns in Schedules D and DA the following codes should be used:

Code	Nationality of Issuer			Country Issued In			Currency of Security		
	US	Canada	Foreign	US	Canada	Foreign	US	Canada	Foreign
	Y	N	N	Y	N	N	Y	N	N
A	N	Y	N	N	Y	N	Y	N	N
C	Y	Y	Y	N	Y	Y	N	Y	N
D	N	N	Y	N	N	Y	N	N	Y
F	N	N	Y	N	N	Y	Y	N	N
I	N	Y	N	Y	N	N	Y	N	N
R	N	N	Y	Y	N	N	Y	N	N
T	N	Y	N	Y	Y	Y	N	N	Y
U	N	Y	N	Y	N	N	N	Y	N
O	Y	N	N	Y	N	N	N	N	Y

“D” is for foreign securities that are denominated in a foreign currency (excluding Canadian currency).

“F” is for securities issued in a foreign country that are denominated in U.S. dollars.

“C” is for securities denominated in Canadian currency.

“U” is for Canadian securities issued in U.S. but denominated in Canadian currency.

“I” is for Canadian securities issued in U.S. and denominated in U.S. dollars.

“T” is for Canadian securities denominated in any other foreign currency.

“O” is for U.S. securities issued in U.S. but denominated in any foreign currency other than Canadian.

“A” is for Canadian securities issued in Canada. and denominated in U.S. dollars.

“R” f is or foreign securities issued in the U.S. and denominated in U.S. dollars.

The following is the description of the General and Specific Classifications used for reporting the detail lines for bonds and stocks.

General Classifications Bonds Only:

U.S. Government:

Securities meeting the definition of:

1. Direct obligations of the U.S. government.
2. Securities that are backed by the full faith and credit of the U.S. government.
3. Securities that are highly rated.
4. Securities deemed exempt (for AVR and RBC purposes) pursuant to the determination of the Valuation of Securities Task Force. Securities listed in the *Purposes and Procedures Manual of the NAIC Securities Valuation Office*, Appendix 14, are the only securities that meet this definition and therefore the only ones reported in this category. Included in Appendix 14 are 1 through 3 above.

Single class mortgage-backed/asset-backed securities of the Federal National Mortgage Association (FNMA), the Federal Home Loan Mortgage Corporation (FHLMC), the Federal Agriculture Mortgage Corporation (Farmer Mac) and the Federal Home Loan Banks (FHL Banks) are not to be considered exempt and are reported in the Special Revenue and Special Assessment Obligations group. For statutory reporting purposes, GNMA and VA CMOs are not to be considered U.S. government bonds and are reported in the Special Revenue and Special Assessment Obligations group.

Multi-class securities as defined below, regardless of issuer, are not to be considered U.S. government bonds. For statutory reporting purposes, GNMA and VA CMOs are not to be considered U.S. government bonds and are reported in the Special Revenue and Special Assessment Obligations group.

All Other Governments:

This includes bond investments issued by non-U.S. governments, including bonds of political subdivisions and special revenue. This includes bonds issued by utilities owned by non-U.S. governments.

U.S. States, Territories and Possessions (Direct and Guaranteed):

General obligations of these entities (NAIC members), as well as bonds issued by utility companies owned by these entities. NAIC membership is composed of the 50 states, the District of Columbia, American Samoa, Guam, Northern Marianna Islands, Puerto Rico, and the U.S. Virgin Islands.

U.S. Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed):

General obligations of cities, counties, townships, etc., as well as bonds issued by utility companies owned by these entities.

U.S. Special Revenue and Special Assessment Obligations and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions:

Those U.S. government issues not listed in Appendix 14 of the *Purposes and Procedures Manual of the NAIC Securities Valuation Office*, yet included in Appendices 16 through 19. This category also includes bonds that are issued by states, territories, possessions and other political subdivisions that are issued for a specific financing project rather than as general obligation bonds.

Industrial and Miscellaneous (Unaffiliated):

This category includes all non-governmental issues that do not qualify for some other category in Schedule D, Part 1, including privatized (non-government ownership) utility companies, Class One Bond Mutual Fund as listed in the *Purposes and Procedures Manual of the NAIC Securities Valuation Office*, Appendix 10 and Exchange Traded Funds listed in the *Purposes and Procedures Manual of the NAIC Securities Valuation Office*, Appendix 20.

Credit Tenant Loans:

First liens on real property where rental payments are assigned to the lender (i.e., the credit standing of the major tenant backs the loan).

Hybrid Securities:

Securities whose proceeds are accorded some degree of equity treatment by one or more of the nationally recognized statistical rating organizations and/or which are recognized as regulatory capital by the issuer's primary regulatory authority. Hybrid securities are designed with characteristics of debt and of equity and are intended to provide protection to the issuer's senior note holders. Hybrid securities products are sometimes referred to as capital securities. Examples of hybrid securities include Trust Preferreds, Yankee Tier 1s (with and without coupon step-ups) and debt-equity hybrids (with and without mandatory triggers).

This specifically excludes surplus notes, which are reported in Schedule BA, subordinated debt issues which have no coupon deferral features, and "Traditional" preferred stocks, which are reported in Schedule D Part 2 Section 1. With respect to preferred stock, traditional preferred stocks include, but are not limited to a) for U.S. issuers do not allow tax deductibility for dividends; and b) those issued as preferred stock of the entity or an operating subsidiary, not through a trust or a special purpose vehicle.

Parent, Subsidiaries and Affiliates:

Defined by SSAP 97