2014 NAIC QUARTERLY STATEMENT INSTRUCTIONS – LIFE

JUL 2014 REVISIONS

PAGE 65: NOTES TO FINANCIAL STATEMENT
Revision: Add clarifying instruction for when disclosure for 21J is completed
Reason: Clarify when to report zero balances

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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J. Risk Sharing Provisions of the Affordable Care Act

Reporting entities shall also indicate if they wrote any accident and health insurance premium, which is subject to the Affordable Care Act risk sharing provisions. In the event that the balances are zero the reporting entity should provide context to explain the reasons for the zero balances, including insufficient data to make an estimate, no balances or premium was excluded from the program etc.

NOTE: Any reporting entity that reports accident and health insurance premium and losses on their statement, which is subject to the Affordable Care Act risk sharing provisions, MUST complete the disclosures even if all amounts are zero.

The financial statements shall disclose the admitted assets, liabilities and revenue elements by program regarding the risk sharing provisions of the Affordable Care Act for the reporting periods, which are impacted by programs. The disclosure should include the following:

- **Permanent ACA Risk Adjustment Program**
  - Premium adjustments receivable due to ACA Risk Adjustment
  - Risk adjustment user fees payable for ACA Risk Adjustment
  - Premium adjustments payable due to ACA Risk Adjustment
  - Reported as revenue in premium for accident and health contracts (written/collected) due to ACA Risk Adjustment
  - Reported in expenses as ACA risk adjustment user fees (incurred/paid)

- **Transitional ACA Reinsurance Program**
  - Amounts recoverable for claims paid due to ACA Reinsurance
  - Amounts recoverable for claims unpaid due to ACA Reinsurance (Contra Liability)
  - Amounts recoverable relating to uninsured plans for contributions for ACA Reinsurance
  - Liabilities for contributions payable due to ACA Reinsurance – not reported as ceded premium
  - Ceded reinsurance premiums payable due to ACA Reinsurance
  - Liabilities for amounts held under uninsured plans contributions for ACA Reinsurance
  - Ceded reinsurance premiums due to ACA Reinsurance
  - Reinsurance recoveries (income statement) due to ACA Reinsurance payments or expected payments
  - ACA Reinsurance contributions – not reported as ceded premium

- **Temporary ACA Risk Corridors Program**
  - Accrued retrospective premium due to ACA Risk Corridors
  - Reserve for rate credits or policy experience rating refunds due to ACA Risk Corridors
  - Effect of ACA Risk Corridors on net premium income (paid/received)
  - Effect of ACA Risk Corridors on change in reserves for rate credits

25. Change in Incurred Losses and Loss Adjustment Expenses

**Instruction:**

Describe the reasons for changes in the provision for incurred claim and claim adjustment expenses attributable to insured events of prior years. The disclosure should indicate whether additional premiums or return premiums have been accrued as a result of the prior-year effects.

**Illustration:**

Reserves as of December 31, 2___ were $____ million. As of ____ , 2___, $____ million has been paid for incurred claims and claim adjustment expenses attributable to insured events of prior years. Reserves remaining for prior years are now $____ million as a result of re-estimation of unpaid claims and claim adjustment expenses principally on yyy and zzz lines of insurance. Therefore, there has been a $____ million unfavorable (favorable) prior-year development since December 31, 2___ to ____ , 2___. The increase (decrease) is generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased, as additional information becomes known regarding individual claims. Included in this increase (decrease), the Company experienced $____ million of unfavorable (favorable) prior year claim development on retrospectively rated policies. However, the business to which it relates is subject to premium adjustments.
GENERAL INTERROGATORIES

The General Interrogatories are required for the quarterly statement

For interrogatory questions asking if there have been changes (e.g. to the charter, bylaws, articles of incorporation or deed of settlement), the reporting entity should report changes since the prior year-end, unless a different time frame is specifically mentioned by the interrogatory or by reference to another interrogatory. Those changes would continue to be reported in subsequent quarters for that year.

For those interrogatories not referring to a change from a prior reporting period but are asking for information as of a point in time, the reporting entity should answer the question as of the current quarter, unless a different time frame is specifically mentioned by the interrogatory or by reference to another interrogatory.

General Instructions

The General Interrogatories are divided into two parts. Part 1 is titled Common Interrogatories. Common Interrogatories are defined as interrogatories that are similar or identical across the Life and Health, Property and Casualty, Health, Fraternal and Title Blanks. The common interrogatories are further divided into three sections: General, Financial and Investment. Part 2 interrogatories are those interrogatories that pertain only to the individual blanks.

Sections

1. General is defined as those interrogatories that relate to the reporting entity framework.
2. Financial is defined as those interrogatories that relate to financial transactions of the reporting entity.
3. Investment is defined as those interrogatories that pertain to the solvency of the reporting entity.

NOTE: New Interrogatories are to be added to the section that relates to them.

PART 1 – COMMON INTERROGATORIES

GENERAL

3.3 If the response to question 3.2 is “YES,” provide a brief description of the nature of the changes to the organizational chart.

6.1 The date of the financial examination that should be reported is for a financial examination conducted by a state regulatory authority. (It is not a CPA annual audit.) The financial examination is considered “being made” for a given calendar year as soon as a formal notice is received from the domiciliary state that it intends to conduct the examination.

7.1 If any action has occurred during the current period, or if the company has any outstanding suspensions or revocations from a prior period, the company should respond “YES” to 7.1.

8.4 Enter “YES” or “NO” in Columns 3 through 6.

9. The response to this interrogatory applies to the reporting entity’s principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions.

9.31 Include the nature of any waiver, including any implicit waiver, from a provision of the code of ethics granted by the reporting entity, an affiliate that provides management services to the entity or the entity’s ultimate parent to one of these specified officers, the name of the person to whom the waiver was granted and the date of the waiver.