### Blanks Agenda Item Submission Form

**DATE:** 12/15/2013

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**ON BEHALF OF:** Casualty Actuarial and Statistical (C) TF

**NAME:** Rich Piazza

**TITLE:** Chair

**AFFILIATION:** Casualty Actuarial and Statistical (C) TF

**ADDRESS:** Louisiana Insurance Dept.

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### FOR NAIC USE ONLY

**Agenda Item #** 2014-01BWG MOD

**Year** 2015

**Changes to Existing Reporting** [X]

**New Reporting Requirement** [ ]

**REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT**

**No Impact** [X]

**Modifies Required Disclosure** [ ]

**DISPOSITION**

[X] Adopted Date 06/17/2014

[ ] Rejected Date

[ ] Deferred Date

[ ] Other (Specify)

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### BLANK(S) TO WHICH PROPOSAL APPLIES

<table>
<thead>
<tr>
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<th>ANNUAL STATEMENT</th>
<th>INSTRUCTIONS</th>
<th>QUARTERLY STATEMENT</th>
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**Life and Accident & Health** [ ]

**Property/Casualty** [X]

**Health** [X]

**Separate Accounts** [ ]

**Fraternal** [ ]

**Title** [ ]

**Other Specify** [ ]

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**Anticipated Effective Date:** 1st Quarter 2015

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### IDENTIFICATION OF ITEM(S) TO CHANGE

The Schedule P instructions would clarify when restatement is needed as a result of a change in pooling percentage.

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### REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE**

The change is intended to clarify the instructions, with the anticipated result of increased uniformity in reporting and improved accuracy of Schedule P loss reserve analyses.

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### NAIC STAFF COMMENTS

Comment on Effective Reporting Date: ______________________

Other Comments: ______________________

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**This section must be completed on all forms.**

Revised 6/13/2009

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SCHEDULE P

There are seven parts and the interrogatories within Schedule P. Part 1 provides detailed information on losses and loss expenses. Part 2 provides a history of incurred losses and defense & cost containment expenses. Part 3 provides a history of loss and defense & cost containment payments. Part 4 provides a history of bulk and incurred but not reported (IBNR) reserves. Part 5 provides a history of claims. Part 6 provides a history of premiums earned. Part 7 provides a history of loss sensitive contracts. Schedule P Interrogatories provides for additional calculation and explanation of various amounts.

Schedule P is intended to display a summary containing ten years of historical data for all lines of business. The casualty lines of business will display ten years of historical data in their respective sections of Schedule P. Within each part, the property lines of business, previously reported in Schedule O, and financial guaranty/mortgage guaranty business, will display two-year development (Sections I through L, S and T). Since the Summary of each part contains ten years of historical data, the information from the “Prior” line in the Property Lines, Sections I through L, S and T, must be supplemented for the eight accident years preceding the two most recent years.

Data for Annual Statement Line 30 – Warranty should be reported prospectively (i.e., prior-year amounts need not be restated) starting with the 2008 reporting year.

Data for Annual Statement Line 17.3 – Excess Workers’ Compensation should be reported as Other Liability – Occurrence as appropriate for the contractual terms of the policy.

In those instances where a reporting entity files an amended annual statement as a result of a restatement of prior year earned premium, losses or loss adjustment expenses, Schedule P must be restated and included in the amended annual statement.

Schedule P includes only the data for the reporting entity identified on the Jurat page of the Annual Statement. Do not include consolidated data for affiliated companies except in a Combined Annual Statement. If the reporting entity participates in a pooling agreement, show only its share of the business, not the total for all participants.

When changes to pooling agreements impact prior accident years, historical data values in Schedule P Parts 1-6 should be restated based on the new pooling percentage. This should be done to present meaningful development patterns in Schedule P. When pooling changes only impact future accident years, no restatement of historical values should be made.

Earned premium is on a calendar-year basis. Losses incurred should be assigned to the year in which the event occurred that triggered coverage under the contract. This may be a date of accident (occurrence policies), a date of report (claims-made policies), a policy issue date (tail policies), or a date of discovery (fidelity and surety).

Retroactive reinsurance should not be reflected in Schedule P. The transferor in such an agreement must record, without recognition of the retroactive reinsurance, its loss and loss adjustment expense reserves on a gross basis on its balance sheet and in all schedules and exhibits. The transferee in such an agreement must exclude the retroactive reinsurance from its loss and loss expense reserves and from its schedules and exhibits.

A discount implicit in tabular reserves may be included in Schedule P, Part 1. Schedule P, Part 2 is to be reported gross of ALL discounts. Otherwise, Schedule P is to be presented on a non-discounted basis. Information in Schedule P is to be reported on an undiscounted basis in order to make effective use of the triangles in Parts 2, 3 and 4. The reserves reported are expected to represent the ultimate amounts to be paid, including anticipated inflation. If discounting of loss or loss expense reserves is reflected on any line of Page 3 of this Annual Statement, reconciliation is provided in Schedule P, Part 1. Also, workpapers relating to any discount amounts must be available for examination upon request. The tabular reserve discount does not need to be shown separately. Discounting is governed by SSAP 65, Property and Casualty Contracts.

The reserves for unpaid losses and loss adjustment expenses should take into account the explicit or implicit impacts of the various factors affecting claim frequency or ultimate claim cost.

For guidelines on completing Schedule P, see Exhibit B immediately following the instructions for Schedule P, Part 7.

NOTE: Report all dollar amounts in Schedule P in thousands of dollars ($000 omitted), by either rounding or truncating.
Pooling

Many insurers have a pooling arrangement with affiliated companies, approved by the domiciliary commissioner, in which the business written is reallocated among the affiliated companies according to a specified percentage. Some affiliated companies may be part of the pool and some may not, and some lines may be included and some may not. The premiums and losses are to be reported in Schedule P after such pooling arrangements, not before.

Pooled business ceded is that which, if retained instead of ceded, would be pooled among the affiliated companies who are party to the pooling agreement. Any such business that is ceded by the pool participants to non-pooled companies prior to the pooling distribution among the participating companies is considered pooled business ceded. Non-pooled business includes all direct, assumed, and ceded business not subject to pooling, as well as any pooled business that is ceded after the pooling distribution has been made.

Direct and Assumed columns include the participation in any pool. In addition, all direct business not pooled plus assumed business from other than the pool is to be included. Ceded columns include the company’s participation in the pool such as any ceding by the company to companies independent of the pool.

Claim counts should be reported in accordance with the pooling arrangement and should reflect the company’s proportionate share of the total number of claims. If the company’s losses are 40% of the pool, then 40% of the claim count should be reported.

The pooling percentage is to reflect the company’s participation in the pool as of year-end. Any retroactive change in pooling participation will require appropriate restatement of Schedule P. When changes to pooling agreements impact prior accident years, historical data values in Schedule P Parts 1-6 should be restated based on the new pooling percentage. This should be done to present meaningful development patterns in Schedule P. When pooling changes only impact future accident years, no restatement of historical values should be made. Any significant changes in the pooling arrangements should be reported in the Schedule P Interrogatories. An illustration for reporting pooled business, Exhibit A, follows.
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