

October 22, 2012

Thomas J. Curry
Comptroller of the Currency
Office of the Comptroller of the Currency
250 E Street, S.W.
Mail Stop 2-3
Washington, DC 20219

Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve
System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429

Re: Docket No. OCC-2012-0008 RIN 1557-AD46, Docket No. R [XX] RIN [XX], FDIC RIN 3064-AD95: Regulatory Capital Rules: Regulatory Capital, Implementation of Basel III, Minimum Regulatory Capital Ratios, Capital Adequacy, Transition Provisions, and Prompt Corrective Action

Re: Docket No. OCC-2012-0009 RIN 1557-AD46, Docket No. R [XX] RIN [XX], FDIC RIN 3064-AD96: Regulatory Capital Rules: Standardized Approach for Risk-weighted Assets; Market Discipline, and Disclosure Requirements

Re: Docket No. OCC-2012-0010 RIN 1557-AD46, Docket No. R-[XX] RIN [XX], FDIC RIN 3064-D97: Regulatory Capital Rules: Advanced Approaches Risk-based Capital Rule; Market Risk Capital Rule

Dear Sirs and Madam,

We write on behalf of the National Association of Insurance Commissioners (NAIC) regarding the Federal Reserve, Office of the Comptroller of the Currency, and Federal Deposit Insurance Corporation's joint notice and proposed collective rulemakings on capital rules. Founded in 1871, the NAIC is the U.S. standard-setting and regulatory support organization created and governed by the chief insurance regulators from the 50 states, the District of Columbia and the five U.S. territories. Through the NAIC, state insurance regulators establish standards and best practices, conduct peer reviews, and coordinate their regulatory oversight. NAIC members, together with the central resources of the NAIC, form the national system of state-based insurance regulation in the U.S. The NAIC respectfully submits the following comments to the Notices of Proposed Rulemaking (NPR) and Request for Comment published in the June 7, 2012 issue of the Federal Register.

For purposes of this comment letter, we have focused on responding to your specific questions regarding separate accounts, the general treatment of insurance underwriting, surplus notes, and policy loans. In addition, we offer comparison information on the substantive differences between generally accepted accounting principles (GAAP) and statutory accounting principles (SAP) that might be useful in better understanding the relative conservative nature of SAP and risk-based capital (RBC). We hope these comments and the appended information will be helpful as further consideration is given to more suitable standards for insurance enterprises with thrifts and banking entities. Our technical experts stand ready to answer additional questions in person or by telephone.

Separate Accounts

Question 20: The agencies request comment on how the proposed definition of a separate account interacts with state law. What are the significant differences and what is the nature of the implications of these differences?

The definition provided by the NPR is based on the U.S. GAAP guidance contained in Statement of Position (SOP) 03-1.¹ These requirements for separate account allocation were rejected for statutory accounting in Statement of Statutory Accounting Principles (SSAP) No. 56 as they may conflict with existing state laws that address separate accounts. State laws regarding separate accounts are generally broader, and based in part upon the NAIC's Variable Contract Law.² Consequently, the NPR's definition may conflict with state law since the NPR's limitations are not required under state law. However, it may be helpful to note that the NAIC Annual Statement, filed by insurers in all U.S. jurisdictions, requires disclosure of the elements of the GAAP separate account requirements – including a disclosure on whether each product would qualify for separate account treatment under GAAP.

Insurance Underwriting

Question 21: The agencies solicit comment on all aspects of the proposed treatment of insurance underwriting activities.

In considering the appropriateness of using RBC for savings and loan holding companies, we encourage the Board to become more familiar with the risks included in the RBC formulas – a separate formula for filers of the life statement, property/casualty statement and health statement. RBC is indeed calculated from statutory accounting numbers at the legal entity level and not consolidated group numbers, and it is a tool used in the solvency oversight performed by state insurance regulators. However, the risks included within the RBC formula include credit, interest rate and market risks as appropriate for the full list of invested assets owned by the insurer. This includes risk charges for investments held in subsidiary, controlled and affiliated entities, and the RBC risk charge for investments in other insurers is based on the subsidiary's own RBC requirement. Thus, any consideration of using amounts from RBC must recognize this to avoid duplication of amounts. RBC formulas also account for significant insurance underwriting risks – inadequate pricing of premiums and insufficient reserving for claims.

To consider a group of insurers, each legal insurance entity's individual RBC requirement would be aggregated. This does not recognize diversification benefits included in other group capital calculations. State insurance regulators find this appropriate since capital is there to absorb unexpected results and times of financial distress; when a group is troubled, such diversification benefits more likely turn into contagion impacts.

¹ This is currently reflected in the FASB Codification at 944-80-25-2.

² NAIC Model # 260.

The Company Action Level RBC, which is twice the amount of Authorized Control Level RBC, is neither an economic nor a regulatory target; in fact, it is not a target capital level of any sort. Rather, the Company Action Level RBC is the amount of Total Adjusted Capital (and surplus) at which regulatory action has been triggered per state statute. Thus, holding one dollar above Company Action Level RBC is not an appropriate strategy for a legal entity insurer. Said another way, a state insurance regulator would not approve a legal entity insurer transferring assets to the holding company that would leave it with a minimum level of capital and surplus that just barely covered Company Action Level RBC (regulatory approvals are required for dividends above a certain percentage of surplus). State insurance regulators monitor each legal entity insurer's financial position and results on an ongoing basis, and require the company to address issues identified well before they become a concern from a capital and surplus perspective.

Capital Instruments

Question 22: What are the specific terms and features of capital instruments (including surplus notes) unique to insurance companies that diverge from current eligibility requirements under the proposal? Are there ways in which such terms and features might be modified in order to bring the instruments into compliance with the proposal?

SSAP No. 41 provides the basic terms that are required for Surplus Notes. Specifically, SSAP No. 41 provides that such instruments shall be reported as surplus and not debt only if the surplus note contains the below provisions. Such provisions help to prevent payment on the note of an insurer in a weakly capitalized position.

- a. Subordination to policyholders;
- b. Subordination to claimant and beneficiary claims;
- c. Subordination to all other classes of creditors other than surplus note holders; and
- d. Interest payments and principal repayments require prior approval of the commissioner of the state of domicile.

It is also worth noting that insurers typically have different liquidity needs and rely more on unassigned funds (i.e. retained earnings) than other financial institutions and, therefore, have less of a need to issue capital instruments.

Question 23: The agencies seek data on the amount and issuers of surplus notes currently outstanding. What proportion of insurance company capital is comprised of surplus notes?

The total amount of surplus notes is \$51,536,392,299, and is located within 530 insurers out of a total of 4,584 insurers filing with the NAIC, or 11.5% of insurers.³ The total amount of \$51,536,392,299 is approximately 5.2% of the approximately \$1 trillion in industry capital and surplus after eliminating stacking.

Other Comments

We provide the following additional information with respect to policy loans and statutory accounting versus generally accepted accounting principles.

Policy Loans

SSAP No. 49 defines a policy loan as a loan to a policyholder that is secured by the surrender value or collateral assignment of the related policy or contract. The surrender value of the contract is earned by

³ Appendix A includes detail that shows the entities and amounts.

the insured over a period of time and can be withdrawn subject to certain provisions. One such provision requires that the face amount of the policy to be reduced for any withdrawals, thus reducing the obligations of the insurer. Another provision generally requires the policy to lapse if the unpaid balance of the loan exceeds the cash surrender value. We submit this information to provide additional explanation that we trust is helpful in evaluating the appropriateness of a 20% risk weight on this type of asset.

SAP vs. GAAP

The objectives of GAAP reporting differ from the objectives of SAP. GAAP is designed to meet the varying needs of the different users of financial statements. SAP is designed to address the concerns of regulators, who are the primary users of statutory financial statements. As a result, GAAP stresses measurement of emerging earnings of a business from period to period, (i.e., matching revenue to expense), while SAP stresses measurement of ability to pay claims in the future. This difference is illustrated by the fact that statutory policy reserves are intentionally established on a conservative basis emphasizing the long-term nature of the liabilities. Under GAAP, the experience expected by each company, with provision for the risk of adverse deviations, is used to determine the reserves it will establish for its policies. GAAP reserves may be more or less than the statutory reserves.

Some other differences between SAP and GAAP have included:

- GAAP has recognized certain assets which, for statutory purposes, have been either non-admitted or immediately expensed. Policy acquisition costs are expensed as incurred under SAP since the funds so expended are no longer available to pay future liabilities. Insurance company financial statements prepared in accordance with GAAP defer costs incurred in the acquisition of new business and amortize them over the premium recognition period.
- Deferred income taxes are limited for recognition under SAP.
- The methods of accounting for certain aspects of reinsurance under GAAP may have varied from SAP, e.g., credit for reinsurance in unauthorized companies.

For additional information on SAP vs. GAAP accounting, please see Appendix B.

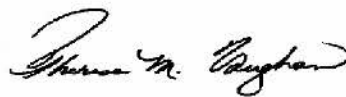
Conclusion

We are confident once a better understanding of the existing financial standards required of such insurers is reached, more progress can be made toward developing a regulatory approach that captures the complete risk profile of an insurance enterprise. Should you wish to discuss this comment or any other matter relating to the NAIC's views on this proposed rule, please do not hesitate to contact Ethan Sonnichsen, Director of Government Relations, at (202) 471-3980 or Mark Sagat, Counsel and Manager of Government Relations, at (202) 471-3987.

Sincerely,



Kevin M. McCarty
Florida Commissioner of Insurance and
NAIC President



Therese M. Vaughan, Ph.D.
NAIC Chief Executive Officer

Appendix A
2011 Surplus Notes
(P/C, Life, Fraternal, Title, and Health)

Cocode	Group Code	Company Name	Dom	Business Type	Surplus Notes	Surplus	% of PHS
14605		Mississippi Farm Bureau Mut Ins Co	MS	P	\$25,000,000	\$475,426	5258.4%
74920	440	Regal Reins Co	MA	L	\$140,000,000	\$5,725,424	2445.2%
22977	108	Lumbermens Mut Cas Co	IL	P	\$698,355,598	\$31,131,758	2243.2%
12970		Touchstone Hlth HMO Inc	NY	X	\$50,073,772	\$2,536,179	1974.4%
13215	4011	River Lake Ins Co	SC	L	\$1,100,000,000	\$79,398,377	1385.4%
51187	4255	New Jersey Title Ins Co	NJ	T	\$4,000,000	\$297,341	1345.3%
14931	497	Pawtucket Ins Co	RI	P	\$650,000	\$103,705	626.8%
13073		Keystone Mut Ins Co	MO	P	\$756,350	\$123,311	613.4%
13062		Olympia RRG Inc	AZ	P	\$275,000	\$45,506	604.3%
13216	4011	River Lake Ins Co II	SC	L	\$850,000,000	\$149,019,561	570.4%
10752	1282	Healthcare Safety & Protection RRG I	SC	P	\$12,000,000	\$2,560,360	468.7%
18708	1248	Ambac Assur Corp	WI	P	\$2,000,000,000	\$495,293,439	403.8%
20710	626	Century Ind Co	PA	P	\$100,000,000	\$25,000,000	400.0%
13726		Simply Hlthcare Plans Inc	FL	X	\$14,559,808	\$3,922,975	371.1%
10775		Physicians United Plan Inc	FL	X	\$18,050,000	\$5,308,439	340.0%
20311	4676	Syncora Guar Inc	NY	P	\$625,000,000	\$186,071,015	335.9%
95204	601	Kaiser Found Hlth Plan of OH	OH	X	\$94,000,000	\$28,227,428	333.0%
13217	4011	River Lake Ins Co III	SC	L	\$750,000,000	\$231,278,978	324.3%
12756	707	Medica Hlth Plans of FL Inc	FL	X	\$5,505,000	\$1,749,651	314.6%
13628		Carilion Clinic Medicare Resources L	VA	X	\$29,000,000	\$9,355,591	310.0%
12223		Santa Fe Auto Ins Co	TX	P	\$18,700,571	\$6,725,015	278.1%
39675		Excalibur Reins Corp	PA	P	\$5,100,000	\$1,935,283	263.5%
16667	12	United Guar Residential Ins Co of NC	NC	P	\$663,614,500	\$257,838,844	257.4%
68071	4722	Puritan Life Ins Co	TX	L	\$15,262,500	\$6,103,287	250.1%
16675	4011	Genworth Mortgage Ins Corp Of NC	NC	P	\$225,000,000	\$100,788,712	223.2%
62065	233	Colonial Penn Life Ins Co	PA	L	\$160,000,000	\$74,220,820	215.6%
32743		Alliance Mut Ins Co	NC	P	\$6,285,741	\$2,973,898	211.4%
12279		Scan Hlth Plan AZ	AZ	X	\$50,000,000	\$23,674,077	211.2%
96237	601	Kaiser Found Hlth Plan of GA Inc	GA	X	\$148,000,000	\$70,396,061	210.2%
62650	598	Delta Life Ins Co	GA	L	\$5,000,000	\$2,385,112	209.6%

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(P/C, Life, Fraternal, Title, and Health)

13621		Star & Shield Ins Exch	FL	P	\$15,000,000	\$7,186,677	208.7%
10739	176	State Farm FL Ins Co	FL	P	\$750,000,000	\$368,125,709	203.7%
28452	150	Republic Mortgage Ins Co	NC	P	\$80,000,000	\$40,595,583	197.1%
13219	4011	Rivermont Life Ins Co I	SC	L	\$315,000,000	\$162,812,790	193.5%
13565		Arkansas Mut Ins Co	AR	P	\$5,394,750	\$2,891,604	186.6%
12834		Trilogy Hlth Ins Inc	WI	L	\$3,750,000	\$2,020,002	185.6%
13691	4685	Quality Hlth Plans of NY Inc	NY	X	\$11,567,000	\$6,532,344	177.1%
28681		Union Mut Ins Co	OK	P	\$1,766,100	\$1,010,330	174.8%
11454	3341	New Jersey Skylands Ins Assn	NJ	P	\$31,250,000	\$18,190,908	171.8%
87718		Concert Hlth Plan Ins Co	IL	L	\$5,987,500	\$3,525,386	169.8%
19544	111	Liberty Cnty Mut Ins Co	TX	P	\$10,000,000	\$6,021,589	166.1%
13619		Sawgrass Mutual Ins Co	FL	P	\$14,500,000	\$8,902,772	162.9%
13810		Physicians Benefit Resources RRG Inc	NV	P	\$665,418	\$417,215	159.5%
13666	4676	Syncora Capital Assur Inc	NY	P	\$200,000,000	\$132,680,535	150.7%
13179		ProAir RRG Inc	NV	P	\$775,000	\$516,192	150.1%
82686	1323	Hawthorn Life Ins Co	TX	L	\$3,500,000	\$2,338,165	149.7%
95722		First Medical Hlth Plan Inc	PR	X	\$20,738,860	\$14,790,011	140.2%
26999	12	United Guar Mortgage Ind Co	NC	P	\$130,000,000	\$93,284,914	139.4%
11091		Health Care Mut Captive Ins Co	GA	P	\$2,995,082	\$2,184,729	137.1%
72087	343	Mutinationa Life Ins Co	PR	L	\$5,000,000	\$3,688,900	135.5%
68845	4764	Shenandoah Life Ins Co	VA	L	\$20,000,000	\$15,624,942	128.0%
33030		Ins Co of The Americas	FL	P	\$10,449,557	\$8,219,675	127.1%
54658	477	Delta Dental of NC	NC	X	\$15,000,000	\$11,938,401	125.6%
10908		Capitol Preferred Ins Co	FL	P	\$17,350,000	\$13,881,785	125.0%
95829		New W Hlth Serv	MT	X	\$24,530,841	\$19,690,083	124.6%
11018	1324	Upmc Hlth Benefits Inc	PA	P	\$21,500,000	\$17,683,468	121.6%
11443		Northern Plains Ins Co	SD	P	\$477,279	\$401,737	118.8%
47027	4708	CDPHP Universal Benefits Inc	NY	X	\$48,500,000	\$40,912,523	118.5%
54259		Sidney Hillman Hlth Centre	IL	X	\$200,000	\$169,507	118.0%
13558	119	Arcadian Health Plan of NY Inc	NY	X	\$2,400,000	\$2,063,246	116.3%
13589	31	MedPro RRG RRG	DC	P	\$3,250,000	\$2,805,110	115.9%
68365	968	AXA Corp Solutions Life Reins Co	DE	L	\$320,000,000	\$276,489,553	115.7%

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11988	1129	Houston Gen Ins Exch	TX	P	\$23,706,417	\$20,756,977	114.2%
10659		Diamond Ins Co	IL	P	\$7,000,000	\$6,132,157	114.2%
31275	150	Republic Mortgage Ins Of NC	NC	P	\$75,000,000	\$66,223,252	113.3%
73660		Directors Life Assur Co	OK	L	\$1,600,000	\$1,414,469	113.1%
35424	150	Old Republic Security Assur Co	AZ	P	\$40,000,000	\$35,530,719	112.6%
47012		Sightcare Inc	AZ	X	\$570,000	\$507,664	112.3%
83640	671	Rightchoice Ins Co	IL	L	\$11,000,000	\$10,024,835	109.7%
95232	1552	Medica Hlth Plans of WI	WI	X	\$3,250,000	\$2,974,682	109.3%
11716		ARA Cas Ins Co	FL	P	\$1,000,000	\$935,500	106.9%
31240		Commonwealth Mut Ins Co of Amer	MD	P	\$325,000	\$307,672	105.6%
13012		Normandy Harbor Ins Co Inc	FL	P	\$6,200,000	\$5,905,747	105.0%
13756		CMIC RRG	DC	P	\$3,250,000	\$3,110,017	104.5%
14130		NCMIC RRG Inc	VT	P	\$2,000,000	\$1,925,473	103.9%
13795	31	AttPro RRG Recip RRG	DC	P	\$1,500,000	\$1,447,756	103.6%
11947		Lewis & Clark LTC RRG Inc	NV	P	\$3,700,000	\$3,625,316	102.1%
10031	167	American Heartland Ins Co	IL	P	\$2,150,000	\$2,120,905	101.4%
11028	311	Spring Valley Mut Ins Co	MN	P	\$4,000,000	\$3,949,982	101.3%
27820	809	Farm Bureau Cnty Mut Ins Co of TX	TX	P	\$5,800,000	\$5,800,000	100.0%
27863	3489	Southern Cnty Mut Ins Co	TX	P	\$30,000,000	\$30,000,000	100.0%
29203	155	Progressive Cnty Mut Ins Co	TX	P	\$1,000,000	\$1,000,000	100.0%
29394	660	Mercury Cnty Mut Ins Co	TX	P	\$4,000,000	\$4,000,000	100.0%
47021	380	Carefirst Inc	MD	X	\$500,000	\$500,000	100.0%
13705		UHAB Mut Ins Co	NY	P	\$2,000,000	\$2,003,934	99.8%
14005		Artisan Contractors Ins Co RRG LLC	MT	P	\$500,000	\$506,205	98.8%
29262	140	Colonial Cnty Mut Ins Co	TX	P	\$13,650,000	\$13,847,002	98.6%
12985		First Medical Hlth Plan of FL Inc	FL	X	\$921,497	\$938,110	98.2%
10231	586	Commonwealth Mut Ins Co	MA	P	\$5,500,000	\$5,609,976	98.0%
16659	12	United Guar Comm Ins Co of NC	NC	P	\$45,000,000	\$46,033,821	97.8%
13571		Select Providers Ins Recip Exch RRG	DC	P	\$500,000	\$512,850	97.5%
12751		Maryland Care Medicare Inc	MD	X	\$1,500,000	\$1,546,027	97.0%
25399	809	Texas Farm Bureau Underwriters	TX	P	\$19,000,000	\$19,699,860	96.4%
12873	4664	Privilege Underwriters Recp Exch	FL	P	\$49,017,442	\$51,444,148	95.3%

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53252	936	Inter Cnty Hlth Plan Inc	PA	X	\$2,270,000	\$2,396,897	94.7%
29408	3478	Hallmark Cnty Mut Ins Co	TX	P	\$5,200,000	\$5,500,000	94.5%
33340		Wescap Ins Co	CO	P	\$5,552,386	\$5,906,283	94.0%
29378	4762	Old Amer Cnty Mut Fire Ins Co	TX	P	\$4,700,000	\$5,000,000	94.0%
11804	233	Conseco Life Ins Co of TX	TX	L	\$749,550,000	\$799,060,125	93.8%
29351	215	Unitrin Cnty Mut Ins Co	TX	P	\$3,638,568	\$3,938,573	92.4%
77194	1323	United Funeral Directors Benefit Lif	TX	L	\$4,100,000	\$4,568,392	89.7%
13698		AGIC Inc	FL	P	\$4,500,000	\$5,033,825	89.4%
12583	3703	Adirondack Ins Exch	NY	P	\$70,700,000	\$81,455,160	86.8%
55239	1127	Group Hlth Inc	NY	X	\$125,311,381	\$144,949,451	86.5%
29335	8	Allstate Cnty Mut Ins Co	TX	P	\$12,450,000	\$14,446,716	86.2%
11260		Nevada Mut Ins Co Inc	NV	P	\$6,119,121	\$7,122,875	85.9%
13763	1248	Ambac Assur Corp Segregate Account	WI	P	\$89,081,612	\$105,899,246	84.1%
52006		Michigan Eyecare Assoc Inc	MI	X	\$205,000	\$251,648	81.5%
12911		Carolina Crescent Hlth Plan Inc	SC	X	\$4,950,000	\$6,205,368	79.8%
27944	111	National Ins Assn	IN	P	\$10,000,000	\$12,678,886	78.9%
26530	8	Allstate TX Lloyds	TX	P	\$12,600,000	\$16,566,611	76.1%
80802	549	US Br Sun Life Assur Co of Canada	MI	L	\$760,000,000	\$1,017,587,580	74.7%
95216	1324	UPMC Hlth Plan Inc	PA	X	\$100,000,000	\$134,091,894	74.6%
81396	2479	Delta Dental Ins Co	DE	L	\$45,750,000	\$61,768,814	74.1%
42862	1326	Universal Cas Co	IL	P	\$6,500,000	\$8,784,891	74.0%
29327	1318	AAA TX Cnty Mut Ins Co	TX	P	\$5,750,000	\$7,914,282	72.7%
95764		UTMB Hlth Plans Inc	TX	X	\$5,094,258	\$7,025,962	72.5%
10992	306	CMG Mortgage Reins Co	WI	P	\$10,000,000	\$13,797,270	72.5%
91693	315	IA Amer Life Ins Co	TX	L	\$50,000,000	\$70,013,668	71.4%
16373	3500	Battle Creek Mut Ins Co	NE	P	\$3,000,000	\$4,232,721	70.9%
14136		Select MD RRG Inc	MT	P	\$700,000	\$993,449	70.5%
10080		Health Providers Ins Recip RRG	HI	P	\$30,000,000	\$43,533,810	68.9%
51209	250	Conestoga Title Ins Co	PA	T	\$8,900,000	\$12,922,769	68.9%
11997	3569	Caterpillar Life Ins Co	MO	L	\$32,583,374	\$47,744,936	68.2%
73814		Triple S Vida Inc	PR	L	\$37,000,000	\$54,628,085	67.7%
43486	1226	Warranty Underwriters Ins Co	TX	P	\$4,000,000	\$5,925,762	67.5%

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14012	4717	Stonegate Ins Co	IL	P	\$1,800,000	\$2,673,637	67.3%
13820	3495	Infinity Cnty Mut Ins Co	TX	P	\$3,400,000	\$5,061,644	67.2%
41114		Atlantic Bonding Co	MD	P	\$6,948,028	\$10,435,130	66.6%
13044	4755	Americas 1st Choice Ins Co of NC Inc	NC	L	\$5,020,817	\$7,621,670	65.9%
13600		Black Diamond Ins Co Inc	NV	P	\$1,000,000	\$1,527,885	65.4%
11809		Ponce De Leon LTC RRG Inc	FL	P	\$5,349,951	\$8,193,746	65.3%
12213		Dental Practice Assn of NJ Inc	NJ	X	\$125,000	\$191,999	65.1%
19950	291	Wilson Mut Ins Co	WI	P	\$13,000,000	\$20,094,242	64.7%
13613		College RRG Inc	VT	P	\$2,500,000	\$3,932,459	63.6%
12957	4686	Modern USA Ins Co	FL	P	\$6,279,412	\$9,947,874	63.1%
12538	3484	Tower Hill Signature Ins Co	FL	P	\$23,529,412	\$38,042,180	61.9%
95206	623	Health Net of AZ Inc	AZ	X	\$55,300,000	\$89,531,569	61.8%
11994	1324	UPMC Hlth Ntwrk Inc	PA	L	\$64,000,000	\$103,792,199	61.7%
12532		New Star RRG Inc	SC	P	\$2,500,000	\$4,070,823	61.4%
37613		Farmers Union Mut Ins Co	AR	P	\$700,000	\$1,142,590	61.3%
11132	2479	Delta Dental of DE Inc	DE	X	\$1,000,000	\$1,632,885	61.2%
13893		Community Blood Cntr Exch RRG	IN	P	\$7,767,574	\$12,687,788	61.2%
11263		United Business Ins Co	GA	P	\$673,016	\$1,106,261	60.8%
40789	150	American Bus & Personal Ins Mut Inc	DE	P	\$15,500,000	\$25,526,138	60.7%
12913	1	Missouri Care Inc	MO	X	\$12,251,101	\$20,374,764	60.1%
74918		Kilpatrick Life Ins Co	LA	L	\$4,000,000	\$6,696,539	59.7%
12041	528	MBIA Ins Corp	NY	P	\$952,655,000	\$1,596,556,017	59.7%
16683		North Carolina Grange Mut Ins Co	NC	P	\$2,260,000	\$3,802,824	59.4%
19720	361	American Alt Ins Corp	DE	P	\$92,500,000	\$156,224,860	59.2%
29300	257	Oak Brook Cnty Mut Ins Co	TX	P	\$2,000,000	\$3,394,530	58.9%
13067		Professionals RRG Inc	MT	P	\$750,000	\$1,279,062	58.6%
12976		Catholic Special Needs Plan LLC	NY	X	\$4,000,000	\$6,871,121	58.2%
54763	936	Inter Cty Hospitalization Plan Inc	PA	X	\$2,630,000	\$4,534,132	58.0%
73121	526	Champions Life Ins Co	TX	L	\$2,298,085	\$3,984,083	57.7%
13974		Virginia Physicians RRG Inc	MT	P	\$500,000	\$871,143	57.4%
14486	111	Liberty Mut Mid Atlantic Ins Co	MA	P	\$9,500,000	\$16,563,756	57.4%
43419	176	State Farm Lloyds	TX	P	\$525,272,727	\$916,854,758	57.3%

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37109	503	Landcar Cas Co	UT	P	\$9,800,000	\$17,645,080	55.5%
12924	4380	UCare WI Inc	WI	X	\$3,000,000	\$5,404,105	55.5%
29181	761	Firemans Fund Cnty Mut Ins Co	TX	P	\$1,586,378	\$2,900,000	54.7%
88340	517	Hannover Life Reassur Co of Amer	FL	L	\$94,045,538	\$172,763,560	54.4%
43982	415	MT WA Assur Corp	NH	P	\$1,700,000	\$3,147,467	54.0%
14532	50	Middlesex Mut Assur Co	CT	P	\$50,000,000	\$96,989,771	51.6%
95192		Group Hlth Coop of Eau Claire	WI	X	\$6,000,000	\$11,716,123	51.2%
11699	4597	Essence Hlthcare Inc	MO	X	\$26,875,315	\$53,150,756	50.6%
12577	4091	Universal Hlth Care Ins Co Inc	FL	L	\$18,250,000	\$36,579,328	49.9%
68322	769	Great W Life & Ann Ins Co	CO	L	\$527,762,324	\$1,062,420,380	49.7%
21709	212	Truck Ins Exch	CA	P	\$275,000,000	\$554,496,411	49.6%
21652	212	Farmers Ins Exch	CA	P	\$1,881,805,000	\$3,820,221,342	49.3%
10078	200	USAA Cnty Mut Ins Co	TX	P	\$2,500,000	\$5,095,725	49.1%
32085	175	Litchfield Mut Fire Ins Co	CT	P	\$2,100,000	\$4,299,463	48.8%
29823	4011	Genworth Residential Mortgage Ins Co	NC	P	\$50,000,000	\$104,748,857	47.7%
11968		Pennsylvania Physicians Recip Insur	PA	P	\$2,500,000	\$5,245,663	47.7%
21563	220	Oklahoma Farm Bureau Mut Ins Co	OK	P	\$40,550,789	\$85,716,492	47.3%
16212	316	Omega One Ins Co	AL	P	\$3,500,000	\$7,437,496	47.1%
34487	831	Professional Underwriters Liab Ins C	UT	P	\$20,000,000	\$43,277,913	46.2%
87882		Associated Mut	MI	L	\$4,322,000	\$9,409,664	45.9%
12594		JM Woodworth RRG Inc	NV	P	\$1,950,000	\$4,254,219	45.8%
11536		Community Hlth Alliance Recip RRG	VT	P	\$6,750,000	\$14,826,850	45.5%
10783		Cornerstone Natl Ins Co	MO	P	\$5,029,726	\$11,151,459	45.1%
10084		Title Industry Assur Co RRG	VT	P	\$1,000,000	\$2,248,765	44.5%
69485	454	Security Natl Life Ins Co	UT	L	\$9,400,000	\$21,707,274	43.3%
79065	549	Sun Life Assur Co Of Canada US	DE	L	\$565,000,000	\$1,308,833,218	43.2%
95145	3486	Community Hlth Plan	MO	X	\$1,162,460	\$2,739,456	42.4%
10897		First Protective Ins Co	FL	P	\$8,767,500	\$21,430,167	40.9%
17000	586	Arbella Mut Ins Co	MA	P	\$166,403,806	\$407,990,325	40.8%
11864		Comcare Pro Ins Recip RRG	VT	P	\$1,000,000	\$2,454,230	40.7%
41203	1230	Capital Advantage Ins Co	PA	P	\$150,000,000	\$370,909,927	40.4%
81000	1137	Cambridge Life Ins Co	MO	L	\$18,970,363	\$47,214,497	40.2%

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10282		Midwestern Equity Title Ins Co	IN	P	\$950,000	\$2,375,505	40.0%
12511		Samaritan RRG Inc	SC	P	\$5,000,000	\$12,703,245	39.4%
23108		Lumbermens Underwriting Alliance	MO	P	\$22,484,660	\$57,706,700	39.0%
12841		American Integrity Ins Co of FL	FL	P	\$9,132,353	\$23,530,006	38.8%
15512	1318	Automobile Club Interins Exch	MO	P	\$67,583,904	\$175,409,352	38.5%
11125	1198	MVP Hlth Ins Co	NY	L	\$47,000,000	\$123,102,692	38.2%
10953	3456	Cypress Prop & Cas Ins Co	FL	P	\$10,889,706	\$28,606,380	38.1%
12018		Indemnity Ins Corp RRG	DE	P	\$5,500,000	\$14,448,130	38.1%
41688	212	Foremost Lloyds Of TX	TX	P	\$1,420,000	\$3,743,575	37.9%
11844		St Johns Ins Co Inc	FL	P	\$17,352,941	\$45,787,418	37.9%
67296	3766	Laurel Life Ins Co	TX	L	\$18,370,016	\$48,492,979	37.9%
12601	1344	American Capital Assur Corp	FL	P	\$21,879,483	\$58,106,698	37.7%
32450	4711	Attorneys Liab Protection Soc RRG	MT	P	\$11,543,921	\$30,724,133	37.6%
31399	383	United Intl Ins Co	NY	P	\$1,700,000	\$4,561,449	37.3%
10132		Florida Peninsula Ins Co	FL	P	\$21,507,353	\$58,064,157	37.0%
10119	4755	Freedom Hlth Inc	FL	X	\$6,100,000	\$16,559,508	36.8%
13791		Aviation Alliance Ins RRG Inc	MT	P	\$360,000	\$982,114	36.7%
12520		Utah Business Ins Co Inc	UT	P	\$1,500,000	\$4,128,811	36.3%
79715		Cooperativa De Seguros De Vida	PR	L	\$5,107,000	\$14,315,315	35.7%
14041	707	Care Improvement Plus WI Ins Co	WI	L	\$1,554,000	\$4,387,091	35.4%
10969		United Prop & Cas Ins Co	FL	P	\$17,058,823	\$48,187,978	35.4%
10786	361	Princeton Excess & Surplus Lines Ins	DE	P	\$20,100,000	\$57,934,070	34.7%
50520	150	Old Republic Natl Title Ins Co	MN	T	\$77,500,000	\$224,102,988	34.6%
10136		Southern Fidelity Ins Co Inc	FL	P	\$20,955,882	\$62,187,564	33.7%
95639	601	Kaiser Found Hlth Plan Mid Atlanti	MD	X	\$50,000,000	\$150,008,798	33.3%
12198		Pinelands Ins Co RRG Inc	DC	P	\$200,000	\$603,915	33.1%
62944	968	AXA Equitable Life Ins Co	NY	L	\$1,524,924,800	\$4,622,316,095	33.0%
16713	46	Buckeye State Mut Ins Co	OH	P	\$6,200,000	\$18,830,886	32.9%
79057	421	Southland Natl Ins Corp	AL	L	\$3,000,000	\$9,343,908	32.1%
50020		Dakota Homestead Title Ins Co	SD	T	\$400,000	\$1,257,382	31.8%
14550	2758	Wea Prop & Cas Ins Co	WI	P	\$1,600,000	\$5,110,552	31.3%
11589		Jamestown Ins Co RRG	SC	P	\$420,000	\$1,363,989	30.8%

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87572	3506	Scottish Re Us Inc	DE	L	\$100,000,000	\$325,026,457	30.8%
19623	732	American Summit Ins Co	TX	P	\$7,500,000	\$24,554,235	30.5%
27669	483	Mississippi Farm Bureau Cas Ins Co	MS	P	\$54,000,000	\$180,986,014	29.8%
65870	1117	Manhattan Life Ins Co	NY	L	\$10,000,000	\$33,623,833	29.7%
30180	194	Assured Guar Corp	MD	P	\$300,000,000	\$1,021,499,197	29.4%
16985		Conemaugh Valley Mut Ins Co	PA	P	\$1,000,000	\$3,427,896	29.2%
67466	709	Pacific Life Ins Co	NE	L	\$1,599,396,089	\$5,546,981,424	28.8%
13207		Lighthouse Prop Ins Corp	LA	P	\$2,850,000	\$9,937,510	28.7%
47098	1313	ODS Hlth Plan Inc	OR	X	\$23,000,000	\$80,826,023	28.5%
10891		CEM Ins Co	IL	P	\$1,300,000	\$4,614,854	28.2%
61883	1117	Central United Life Ins Co	AR	L	\$15,000,000	\$53,865,023	27.8%
43265		Gramercy Ins Co	TX	P	\$3,150,000	\$11,336,296	27.8%
67253	4732	American Life & Security Corp	AZ	L	\$950,000	\$3,425,659	27.7%
83445	1199	Wellcare Hlth Ins of AZ Inc	AZ	L	\$25,000,000	\$90,207,153	27.7%
14265	246	Indiana Lumbermens Mut Ins Co	IN	P	\$7,000,000	\$25,510,746	27.4%
11675		Professional Cas Assn	PA	P	\$3,800,000	\$13,950,720	27.2%
12878		Sterling Cas Ins Co	CA	P	\$1,400,000	\$5,155,287	27.2%
10293		Integra Ins Inc	MN	P	\$503,000	\$1,863,717	27.0%
52554		Heart of Amer Hlth Plan	ND	X	\$320,000	\$1,185,918	27.0%
29955		Legal Mut Liab Ins Society Of MD	MD	P	\$155,000	\$579,028	26.8%
36340		Camico Mut Ins Co	CA	P	\$10,000,000	\$37,426,397	26.7%
21660	212	Firc Ins Exch	CA	P	\$173,330,050	\$653,088,624	26.5%
14842	324	North Carolina Farm Bur Mut Ins Co	NC	P	\$200,085,800	\$762,257,641	26.2%
75027		Life Assur Co Of Amer	IL	L	\$600,000	\$2,299,632	26.1%
10708		Lemic Ins Co	LA	P	\$5,000,000	\$19,167,099	26.1%
14427		Louisiana Farm Bureau Mut Ins Co	LA	P	\$19,641,987	\$77,352,301	25.4%
71412	261	Mutual Of Omaha Ins Co	NE	L	\$583,926,892	\$2,314,875,191	25.2%
67644	850	Penn Mut Life Ins Co	PA	L	\$388,762,467	\$1,542,747,721	25.2%
21300	1326	Kingsway Amigo Ins Co	FL	P	\$2,600,000	\$10,325,949	25.2%
12329	2479	Delta Dental of W VA	WV	X	\$1,000,000	\$4,013,798	24.9%
83860		American Home Life Ins Co	AR	L	\$100,000	\$403,770	24.8%
68675	431	Security Benefit Life Ins Co	KS	L	\$149,779,579	\$605,839,490	24.7%

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95713	4512	DentaQuest VA Inc	VA	X	\$550,000	\$2,225,109	24.7%
88099	1167	Optimum Re Ins Co	TX	L	\$5,800,000	\$23,654,777	24.5%
67814	403	Phoenix Life Ins Co	NY	L	\$174,167,170	\$718,787,462	24.2%
92649	863	American Underwriters Life Ins Co	AZ	L	\$3,000,000	\$12,539,717	23.9%
12307	4512	DentaQuest USA Ins Co Inc	TX	L	\$4,000,000	\$16,722,421	23.9%
68284	953	Pyramid Life Ins Co	KS	L	\$60,000,000	\$250,970,431	23.9%
28649	1226	Eastern Atlantic Ins Co	PA	P	\$8,000,000	\$33,580,219	23.8%
30058	749	Scor Reins Co	NY	P	\$156,766,000	\$658,654,474	23.8%
13035		Healthfirst Healthplan of NJ Inc	NJ	X	\$3,473,660	\$14,741,042	23.6%
10346	3363	Employers Preferred Ins Co	FL	P	\$32,000,000	\$136,112,207	23.5%
11197		National Independent Truckers IC RRG	SC	P	\$1,203,208	\$5,146,539	23.4%
64076	863	Great Fidelity Life Ins Co	IN	L	\$400,000	\$1,727,680	23.2%
87645	449	United Fidelity Life Ins Co	TX	L	\$86,085,754	\$372,871,002	23.1%
29149	4703	Kentucky Natl Ins Co	KY	P	\$1,000,000	\$4,361,590	22.9%
11074	242	Selective Auto Ins Co of NJ	NJ	P	\$13,766,670	\$60,139,859	22.9%
20966	50	Cotton States Mut Ins Co	GA	P	\$15,000,000	\$65,787,973	22.8%
60040	1203	Cox Hlth Systems Ins Co	MO	L	\$2,709,003	\$11,910,980	22.7%
97780	12	AGC Life Ins Co	MO	L	\$2,533,206,472	\$11,159,514,336	22.7%
12257		Samaritan Hlth Plans Inc	OR	X	\$1,500,000	\$6,618,155	22.7%
41050	831	Underwriter For The Professions Ins	CO	P	\$15,000,000	\$66,484,997	22.6%
78743	520	New Era Life Ins Co	TX	L	\$10,000,000	\$44,620,049	22.4%
29513	1228	The Bar Plan Mut Ins Co	MO	P	\$5,011,139	\$22,395,969	22.4%
15059	853	Public Serv Mut Ins Co	NY	P	\$52,000,000	\$233,715,675	22.2%
23329	226	Merchants Mut Ins Co	NY	P	\$32,000,000	\$144,277,226	22.2%
11697	4713	Businessfirst Ins Co	FL	P	\$3,000,000	\$13,567,998	22.1%
10860	4689	Sunshine State Ins Co	FL	P	\$3,000,000	\$13,580,325	22.1%
26034	203	Virginia Farm Bureau Mut Ins Co	VA	P	\$30,000,000	\$136,478,651	22.0%
15172		Southern Mut Ins Co	GA	P	\$2,500,000	\$11,389,338	22.0%
12868		Mutual Benefit Assn of HI	HI	X	\$800,000	\$3,658,103	21.9%
70688	468	Transamerica Financial Life Ins Co	NY	L	\$150,000,000	\$689,640,717	21.8%
12631		American Builders Ins Co RRG Inc	MT	P	\$150,000	\$698,128	21.5%
15474	732	National Lloyds Ins Co	TX	P	\$20,000,000	\$94,154,004	21.2%

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23787	140	Nationwide Mut Ins Co	OH	P	\$2,200,000,000	\$10,434,888,740	21.1%
24910	167	United Equitable Ins Co	IL	P	\$700,000	\$3,361,764	20.8%
68772		Security Mut Life Ins Co Of NY	NY	L	\$25,000,000	\$120,419,834	20.8%
67539	525	Pan Amer Life Ins Co	LA	L	\$50,506,868	\$243,433,427	20.7%
50031		Aviation Title Ins Co	AR	T	\$50,000	\$245,013	20.4%
13572		Dealers Choice Mut Ins Inc	NC	P	\$2,000,000	\$9,819,518	20.4%
11042		Stonetrust Commercial Ins Co	LA	P	\$4,000,000	\$19,688,391	20.3%
95160	812	United Concordia Dental Plans TX Inc	TX	X	\$155,000	\$764,518	20.3%
65838	904	John Hancock Life Ins Co (USA)	MI	L	\$989,518,901	\$4,966,417,290	19.9%
26697		Casualty Underwriters Ins Co	UT	P	\$1,000,000	\$5,019,136	19.9%
14001	561	Georgia Farm Bureau Mut Ins Co	GA	P	\$45,000,000	\$226,584,989	19.9%
52053	707	DENTAL BENEFIT PROVIDERS OF IL INC	IL	X	\$410,000	\$2,082,813	19.7%
14370	3407	Lebanon Valley Ins Co	PA	P	\$2,100,000	\$10,704,416	19.6%
80942	229	ING USA Ann & Life Ins Co	IA	L	\$435,000,000	\$2,219,507,144	19.6%
66869	140	Nationwide Life Ins Co	OH	L	\$700,000,000	\$3,587,098,338	19.5%
95453		Grand Valley Hlth Plan Inc	MI	X	\$500,000	\$2,581,972	19.4%
65676	20	Lincoln Natl Life Ins Co	IN	L	\$1,300,000,000	\$6,729,781,890	19.3%
40673	878	Colonial Lloyds	TX	P	\$2,000,000	\$10,424,795	19.2%
70769	213	Erie Family Life Ins Co	PA	L	\$45,000,000	\$241,072,532	18.7%
83836		Selected Funeral & Life Ins Co	AR	L	\$4,000,000	\$21,579,727	18.5%
66583	1211	National Guardian Life Ins Co	WI	L	\$33,750,000	\$182,404,384	18.5%
10852	8	Allstate NJ Ins Co	IL	P	\$150,000,000	\$813,362,331	18.4%
10130		SU Ins Co	WI	P	\$2,000,000	\$11,016,851	18.2%
10103		American Agricultural Ins Co	IN	P	\$77,322,498	\$430,179,486	18.0%
11989	831	Advocate MD Ins of the SW Inc	TX	P	\$7,500,000	\$41,804,100	17.9%
76694	769	London Life Reins Co	PA	L	\$10,000,000	\$55,859,041	17.9%
13687		Prepared Ins Co	FL	P	\$2,200,000	\$12,383,235	17.8%
29246	210	Consumers Cnty Mut Ins Co	TX	P	\$400,000	\$2,262,158	17.7%
10861	4663	Universal Prop & Cas Ins	FL	P	\$21,691,176	\$122,955,611	17.6%
57088		Degree Of Honor Protective Assn	MN	F	\$1,000,000	\$5,688,381	17.6%
66680	634	National Life Ins Co	VT	L	\$200,000,000	\$1,140,159,354	17.5%

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47490		Dental Hlth Serv	WA	X	\$800,000	\$4,597,928	17.4%
44369		Imperial Fire & Cas Ins Co	LA	P	\$5,000,000	\$28,991,169	17.2%
11711		Access Ins Co	TX	P	\$5,000,000	\$29,077,788	17.2%
11592	4705	International Fidelity Ins Co	NJ	P	\$16,000,000	\$94,054,412	17.0%
10704	1302	Builders Ins	GA	P	\$27,000,000	\$159,156,461	17.0%
11878		MutualAid eXchange	KS	P	\$2,759,030	\$16,417,119	16.8%
18732	1135	PMI Mortgage Assur Co	AZ	P	\$5,000,000	\$29,937,132	16.7%
66281	468	Monumental Life Ins Co	IA	L	\$160,000,000	\$970,716,230	16.5%
55263		Delta Dental of NY	NY	X	\$1,360,000	\$8,357,461	16.3%
82252		Landmark Life Ins Co	TX	L	\$310,000	\$1,923,788	16.1%
63983	2878	United Heritage Life Ins Co	ID	L	\$7,100,000	\$44,124,001	16.1%
13978	349	Florists Mut Ins Co	IL	P	\$7,000,000	\$43,548,644	16.1%
14125	62	Hamilton Mut Ins Co	IA	P	\$4,500,000	\$28,059,469	16.0%
13528		Brotherhood Mut Ins Co	IN	P	\$22,000,000	\$146,116,857	15.1%
16330		Ram Mut Ins Co	MN	P	\$4,895,000	\$32,566,773	15.0%
25402	3363	Employers Assur Co	FL	P	\$12,000,000	\$80,468,788	14.9%
95835	1127	GHI Hmo Inc	NY	X	\$5,350,000	\$35,947,184	14.9%
95807	4637	MDwise Inc	IN	X	\$5,250,000	\$35,286,141	14.9%
87726	241	Metlife Ins Co of CT	CT	L	\$750,000,000	\$5,046,844,626	14.9%
11574	4091	Universal Hlth Care Inc	FL	X	\$3,750,000	\$25,645,833	14.6%
61689	44	Aviva Life & Ann Co	IA	L	\$390,000,000	\$2,668,608,622	14.6%
10158		Occan RRG Inc	DC	P	\$200,000	\$1,373,474	14.6%
13580		ARISE Boiler Inspection & Ins Co RRG	KY	P	\$250,000	\$1,723,423	14.5%
18287	194	Assured Guar Municipal Corp	NY	P	\$175,000,000	\$1,209,303,982	14.5%
96911	595	Harvard Pilgrim Hlth Care Inc	MA	X	\$68,196,609	\$479,479,984	14.2%
70211	181	Reassure Amer Life Ins Co	IN	L	\$150,000,000	\$1,086,959,440	13.8%
15067	1275	Quincy Mut Fire Ins Co	MA	P	\$100,000,000	\$729,059,765	13.7%
63665	241	General Amer Life Ins Co	MO	L	\$110,739,427	\$822,148,364	13.5%
15199		Standard Mut Ins Co	IL	P	\$4,000,000	\$29,850,000	13.4%
10863	62	Dakota Fire Ins Co	ND	P	\$6,000,000	\$44,804,419	13.4%
15113		Security Mut Ins Co	NY	P	\$5,000,000	\$37,410,618	13.4%
14826	787	New London Cnty Mut Ins Co	CT	P	\$7,500,000	\$56,262,630	13.3%

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33162	689	Bankers Ins Co	FL	P	\$5,000,000	\$37,555,453	13.3%
93572	4639	RGA Reins Co	MO	L	\$200,597,417	\$1,513,433,750	13.3%
88625		Fiduciary Ins Co Of Amer	NY	P	\$992,197	\$7,493,200	13.2%
95561	3383	Priority Hlth	MI	X	\$30,039,572	\$227,802,872	13.2%
66915	826	New York Life Ins Co	NY	L	\$1,990,816,795	\$15,128,949,008	13.2%
12718	75	Developers Surety & Ind Co	IA	P	\$10,000,000	\$76,127,131	13.1%
24139	150	Old Republic Gen Ins Corp	IL	P	\$40,000,000	\$307,976,426	13.0%
13781		US Lloyds Ins Co	TX	P	\$910,068	\$7,134,272	12.8%
10857	250	Michigan Ins Co	MI	P	\$5,000,000	\$39,264,423	12.7%
40371	807	Columbia Mut Ins Co	MO	P	\$20,082,566	\$158,562,594	12.7%
12628	119	Arcadian Hlth Plan of GA Inc	GA	X	\$800,000	\$6,331,428	12.6%
65978	241	Metropolitan Life Ins Co	NY	L	\$1,705,000,000	\$13,501,824,444	12.6%
16535	212	Zurich Amer Ins Co	NY	P	\$883,000,000	\$7,018,779,407	12.6%
32808	62	Illinois Emcasco Ins Co	IA	P	\$9,000,000	\$72,466,712	12.4%
10859	4675	First Nonprofit Ins Co	DE	P	\$6,500,000	\$52,654,247	12.3%
10385		FFVA Mut Ins Co	FL	P	\$12,000,000	\$97,243,299	12.3%
15032	303	Guideone Mut Ins Co	IA	P	\$50,000,000	\$408,447,469	12.2%
67172	704	Ohio Natl Life Ins Co	OH	L	\$109,164,465	\$892,515,974	12.2%
51586	670	Fidelity Natl Title Ins Co	CA	T	\$30,000,000	\$246,378,096	12.2%
25860	195	Union Mut Fire Ins Co	VT	P	\$7,500,000	\$62,450,449	12.0%
10389	2538	Agent Alliance Ins Co	AL	P	\$350,000	\$2,923,590	12.0%
15571		Illinois Cas Co A Mut Co	IL	P	\$2,882,143	\$24,093,971	12.0%
10191		Missouri Employers Mut Ins Co	MO	P	\$20,035,920	\$167,699,533	11.9%
67091	860	Northwestern Mut Life Ins Co	WI	L	\$1,750,000,000	\$14,813,430,882	11.8%
11155	1211	Preneed Reins Co of Amer	AZ	L	\$2,000,000	\$17,020,755	11.8%
65935	435	Massachusetts Mut Life Ins Co	MA	L	\$1,340,338,750	\$11,417,365,503	11.7%
60186	8	Allstate Life Ins Co	IL	L	\$400,000,000	\$3,450,254,245	11.6%
68241	304	Prudential Ins Co Of Amer	NJ	L	\$942,119,974	\$8,157,220,092	11.5%
10186		Fidelity Fire & Cas Co	FL	P	\$2,250,000	\$19,869,498	11.3%
43915	3485	Rainier Ins Co	AZ	P	\$2,400,000	\$21,348,220	11.2%
26190	210	Consolidated Ins Assoc	TX	P	\$350,000	\$3,120,581	11.2%
14990	271	Pennsylvania Natl Mut Cas Ins Co	PA	P	\$50,000,000	\$451,150,572	11.1%

Appendix A
2011 Surplus Notes
(P/C, Life, Fraternal, Title, and Health)

10798	2778	VFH Captive Ins Co	GA	P	\$225,000	\$2,030,473	11.1%
80837	943	Union Central Life Ins Co	NE	L	\$50,000,000	\$451,405,153	11.1%
10051	17	Lyndon Southern Ins Co	DE	P	\$2,000,000	\$18,150,986	11.0%
21407	62	Emcasco Ins Co	IA	P	\$10,000,000	\$91,140,016	11.0%
68713	229	Security Life Of Denver Ins Co	CO	L	\$165,031,867	\$1,516,636,247	10.9%
69116	619	State Life Ins Co	IN	L	\$30,000,000	\$276,715,152	10.8%
10730		American Access Cas Co	IL	P	\$5,000,000	\$46,409,520	10.8%
47051		First Comm Hlth Plan Inc	AL	X	\$500,000	\$4,648,176	10.8%
14338	291	Iowa Mut Ins Co	IA	P	\$3,000,000	\$28,050,592	10.7%
24350	421	Triad Guar Ins Corp	IL	P	\$25,000,000	\$234,118,496	10.7%
96628		Health Tradition Hlth Plan	WI	X	\$1,250,000	\$11,875,678	10.5%
12999	119	Arcadian Hlth Plan of NC Inc	NC	X	\$400,000	\$3,813,139	10.5%
11863		Positive Physicians Ins Exch	PA	P	\$1,141,332	\$10,883,607	10.5%
12005		Sentinel Assur RRG Inc	HI	P	\$1,080,000	\$10,573,040	10.2%
37028		Citizens United Recip Exch	NJ	P	\$2,418,898	\$24,034,691	10.1%
43664		State Natl Fire Ins Co	LA	P	\$200,000	\$1,999,158	10.0%
42617	413	MAG Mut Ins Co	GA	P	\$60,000,000	\$610,096,938	9.8%
42706		Roche Surety & Cas Co Inc	FL	P	\$800,000	\$8,171,281	9.8%
14046	3498	Volunteer State Hlth Plan Inc	TN	X	\$17,000,000	\$175,035,109	9.7%
33758	2498	Associated Industries Of MA Mut Ins	MA	P	\$15,000,000	\$154,788,273	9.7%
65110	119	Kanawha Ins Co	SC	L	\$18,000,000	\$185,897,321	9.7%
34924	1124	Dakota Truck Underwriters	SD	P	\$3,000,000	\$31,054,504	9.7%
28401	408	American Natl Prop & Cas Co	MO	P	\$36,968,750	\$383,599,232	9.6%
10930	1227	High Point Prop & Cas Ins Co	NJ	P	\$25,000,000	\$262,702,816	9.5%
12320		Innovative Physician Solutions RRG	AZ	P	\$230,000	\$2,421,527	9.5%
30317		Hospitals Ins Co Inc	NY	P	\$17,000,000	\$179,488,430	9.5%
15873	12	United Guar Residential Ins Co	NC	P	\$100,000,000	\$1,062,459,791	9.4%
44504		California Hlthcare Ins Co Inc RRG	HI	P	\$4,000,000	\$42,939,576	9.3%
68632	4668	Vantis Life Ins Co	CT	L	\$6,250,000	\$67,270,510	9.3%
43877		First Mut Ins Co	NC	P	\$350,000	\$3,771,211	9.3%
93440	812	HM Life Ins Co	PA	L	\$20,000,000	\$216,498,077	9.2%
10790		Federated Natl Ins Co	FL	P	\$3,600,000	\$39,306,791	9.2%

Appendix A
2011 Surplus Notes
(P/C, Life, Fraternal, Title, and Health)

11118		Federated Rural Electric Ins Exch	KS	P	\$11,111,111	\$122,135,165	9.1%
36277		Medical Mut Ins Co Of ME	ME	P	\$10,000,000	\$110,332,656	9.1%
36072		National Guardian RRG Inc	HI	P	\$500,000	\$5,529,049	9.0%
60895	619	American United Life Ins Co	IN	L	\$75,000,000	\$830,921,425	9.0%
15377	309	Western Natl Mut Ins Co	MN	P	\$24,000,000	\$269,598,798	8.9%
12471		Retailers Mut Ins Co	MI	P	\$750,000	\$8,473,078	8.9%
13854		Farmers Mut Fire Ins Co of Salem Cn	NJ	P	\$4,000,000	\$45,553,314	8.8%
11030	1332	Memic Ind Co	NH	P	\$6,000,000	\$68,459,663	8.8%
24147	150	Old Republic Ins Co	PA	P	\$75,000,000	\$859,621,344	8.7%
11853	3497	Ranchers & Farmers Ins Co	TX	P	\$400,000	\$4,606,332	8.7%
64246	429	Guardian Life Ins Co Of Amer	NY	L	\$395,981,220	\$4,572,642,330	8.7%
65331	290	Liberty Natl Life Ins Co	NE	L	\$50,000,000	\$579,979,117	8.6%
12944		Homeowners Choice Prop & Cas Ins Co	FL	P	\$4,000,000	\$46,503,317	8.6%
36307	1208	Gray Ins Co	LA	P	\$9,000,000	\$105,488,772	8.5%
33812		Reciprocal of Amer	VA	P	\$6,875,000	\$80,680,888	8.5%
64505		Homesteaders Life Co	IA	L	\$10,000,000	\$119,692,483	8.4%
60445	3766	Sagicor Life Ins Co	TX	L	\$4,175,000	\$50,280,459	8.3%
15326		Utica First Ins Co	NY	P	\$7,500,000	\$90,380,164	8.3%
14761	333	Mutual Of Enumclaw Ins Co	WA	P	\$20,000,000	\$248,083,160	8.1%
12522		Agents Natl Title Ins Co	MO	T	\$151,047	\$1,879,631	8.0%
47074		Denta Chek of MD Inc	MD	X	\$7,000	\$87,563	8.0%
71439		Assurity Life Ins Co	NE	L	\$20,000,000	\$255,316,444	7.8%
60227	4752	Trinity Life Ins Co	OK	L	\$250,000	\$3,203,946	7.8%
10023		Alliance Of Nonprofits For Ins RRG	VT	P	\$2,000,000	\$25,952,875	7.7%
35599	812	Highmark Cas Ins Co	PA	P	\$10,000,000	\$131,256,278	7.6%
11530		Healthcare Providers Ins Exch	PA	P	\$2,750,000	\$36,355,069	7.6%
81043	689	Bankers Life Ins Co	FL	L	\$1,000,000	\$13,484,899	7.4%
69345	1216	Teachers Ins & Ann Assoc Of Amer	NY	L	\$2,000,000,000	\$27,128,396,352	7.4%
75485		Mulhearn Protective Ins Co	LA	L	\$100,000	\$1,369,682	7.3%
33502		Machinery Ins Inc Assessable Mut Co	FL	P	\$163,500	\$2,243,055	7.3%
10906	225	Commercial Alliance Ins Co	TX	P	\$1,823,528	\$25,134,232	7.3%
11109		Neighborhood Hlth Plan Inc	MA	X	\$10,000,000	\$140,953,279	7.1%

Appendix A
2011 Surplus Notes
(P/C, Life, Fraternal, Title, and Health)

95733		Colorado Access	CO	X	\$1,250,000	\$17,717,467	7.1%
65056	918	Jackson Natl Life Ins Co	MI	L	\$249,354,101	\$3,632,016,298	6.9%
16705		Dealers Assur Co	OH	P	\$3,000,000	\$44,155,680	6.8%
89004	4639	Reinsurance Co Of MO Inc	MO	L	\$100,346,250	\$1,478,264,286	6.8%
23965	144	Norfolk & Dedham Mut Fire Ins Co	MA	P	\$10,000,000	\$148,140,380	6.8%
10699		FHM Ins Co	FL	P	\$3,800,000	\$56,469,384	6.7%
65242	836	Lafayette Life Ins Co	OH	L	\$10,000,000	\$149,835,497	6.7%
95657	1230	Dominion Dental Serv Inc	VA	X	\$250,000	\$3,777,919	6.6%
95819	3503	Willamette Dental of ID Inc	ID	X	\$850,000	\$12,878,481	6.6%
10095	901	Bravo Hlth Mid Atlantic Inc	MD	X	\$1,600,000	\$24,480,326	6.5%
15024		Preferred Mut Ins Co	NY	P	\$10,000,000	\$155,131,913	6.4%
26257		Medamerica Mut RRG Inc	HI	P	\$2,000,000	\$31,117,994	6.4%
10834	536	Comp Options Ins Co Inc	FL	P	\$1,400,000	\$21,861,344	6.4%
26077	456	Lancer Ins Co	IL	P	\$10,000,000	\$157,271,172	6.4%
12259	4755	Optimum Hlthcare Inc	FL	X	\$700,000	\$11,139,316	6.3%
34762		Sunz Ins Co	FL	P	\$360,000	\$5,903,954	6.1%
62626	306	CMFG Life Ins Co	IA	L	\$85,000,000	\$1,400,972,719	6.1%
22050	1227	Palisades Safety & Ins Assoc	NJ	P	\$18,300,000	\$304,620,584	6.0%
66168	869	Minnesota Life Ins Co	MN	L	\$120,000,000	\$2,032,133,792	5.9%
14559	303	Guideone Specialty Mut Ins Co	IA	P	\$5,000,000	\$85,333,127	5.9%
13919		Dryden Mut Ins Co	NY	P	\$4,650,000	\$79,406,008	5.9%
23043	111	Liberty Mut Ins Co	MA	P	\$795,539,370	\$13,596,435,060	5.9%
64688	749	SCOR Global Life Amer Reins Co	DE	L	\$10,000,000	\$172,578,843	5.8%
44377		Halifax Mut Ins Co	NC	P	\$100,000	\$1,771,417	5.6%
12309		Alliant Natl Title Ins Co Inc	CO	T	\$200,000	\$3,547,232	5.6%
18686		Co Operative Ins Co	VT	P	\$3,000,000	\$53,770,210	5.6%
65528	634	Life Ins Co Of The Southwest	TX	L	\$30,000,000	\$563,974,150	5.3%
95812		Southeastern IN Hlth Organization	IN	X	\$300,000	\$5,708,220	5.3%
13049		Park Ins Co	NY	P	\$225,000	\$4,584,495	4.9%
15105	3098	Safety Natl Cas Corp	MO	P	\$41,283,333	\$844,471,876	4.9%
67105	229	Reliastar Life Ins Co	MN	L	\$100,000,000	\$2,101,719,922	4.8%
95696	4745	The Vt Hlth Plan LLC	VT	X	\$1,388,560	\$29,823,101	4.7%

Appendix A
2011 Surplus Notes
(P/C, Life, Fraternal, Title, and Health)

36226		United Cas & Surety Ins Co	MA	P	\$200,000	\$4,300,880	4.7%
11948		Global Hawk Ins Co RRG	VT	P	\$201,500	\$4,348,329	4.6%
29122		Delaware Grange Mut Ins Co	DE	P	\$50,000	\$1,083,409	4.6%
14108		PIA Professional Liab Ins Co A RRG	MT	P	\$70,000	\$1,563,582	4.5%
12262	150	Pennsylvania Manufacturers Assoc Ins	PA	P	\$10,000,000	\$230,122,428	4.3%
33200	1282	Norcal Mut Ins Co	CA	P	\$25,000,000	\$579,475,221	4.3%
29050	3484	Tower Hill Preferred Ins Co	FL	P	\$1,400,000	\$32,505,344	4.3%
38954	2698	ProAssurance Cas Co	MI	P	\$22,093,603	\$526,440,442	4.2%
14060	267	Grange Mut Cas Co	OH	P	\$35,000,000	\$838,590,410	4.2%
66974	431	North Amer Co Life & Hlth Ins	IA	L	\$35,000,000	\$840,364,513	4.2%
15563		SeaBright Ins Co	IL	P	\$12,000,000	\$291,530,294	4.1%
10655	4717	Unique Ins Co	IL	P	\$370,000	\$9,323,621	4.0%
14788	311	NGM Ins Co	FL	P	\$30,000,000	\$770,467,130	3.9%
11534		American T & T Ins Co RRG	MT	P	\$151,981	\$3,913,883	3.9%
12167		Charitable Serv Providers Recip RRG	AZ	P	\$124,891	\$3,244,008	3.8%
63274	4731	Fidelity & Guar Life Ins Co	MD	L	\$30,000,000	\$843,434,036	3.6%
15210		Sterling Ins Co	NY	P	\$2,400,000	\$67,591,067	3.6%
16993	635	Continental Mut Ins Co	PA	P	\$30,000	\$854,269	3.5%
95169	671	Healthkeepers Inc	VA	X	\$8,716,141	\$252,731,505	3.4%
39969	1346	American Safety Cas Ins Co	OK	P	\$2,500,000	\$75,360,153	3.3%
36684	98	Riverport Ins Co	MN	P	\$1,300,000	\$39,224,128	3.3%
28207	671	Anthem Ins Co Inc	IN	P	\$25,095,000	\$770,471,395	3.3%
92738	2658	American Equity Invest Life Ins Co	IA	L	\$51,000,000	\$1,594,517,660	3.2%
86231	468	Transamerica Life Ins Co	IA	L	\$150,000,000	\$5,113,283,787	2.9%
13014		Lancet Ind RRG Inc	NV	P	\$75,000	\$2,773,867	2.7%
11152		American Hlth Inc	PR	X	\$480,000	\$17,768,930	2.7%
20443	218	Continental Cas Co	IL	P	\$250,000,000	\$9,887,580,448	2.5%
11539		New Jersey Physicians United Recip	NJ	P	\$409,111	\$16,942,178	2.4%
13641		Colorado Farm Bureau Mut Ins Co	CO	P	\$1,000,000	\$41,812,851	2.4%
26816	176	State Farm Cnty Mut Ins Co Of TX	TX	P	\$1,000,000	\$42,420,127	2.4%
61271	332	Principal Life Ins Co	IA	L	\$99,318,800	\$4,215,693,715	2.4%
95402		Neighborhood Hlth Plan of RI Inc	RI	X	\$1,000,000	\$43,367,290	2.3%

Appendix A
2011 Surplus Notes
(P/C, Life, Fraternal, Title, and Health)

18380		Pacific Ind Ins Co	GU	P	\$292,000	\$13,615,305	2.1%
38490	800	Arizona Home Ins Co	AZ	P	\$235,000	\$12,155,196	1.9%
11398		Guarantee Ins Co	FL	P	\$851,000	\$46,729,525	1.8%
13587	4727	First Chicago Ins Co	IL	P	\$100,000	\$6,359,099	1.6%
82392	1339	Regal Life Of Amer Ins Co	TX	L	\$100,000	\$7,684,874	1.3%
34495	831	Doctors Co An Interins Exch	CA	P	\$13,000,000	\$1,191,951,377	1.1%
11806		National Assisted Living RRG Inc	DC	P	\$30,000	\$3,087,614	1.0%
95253	812	UNITED CONCORDIA DENTAL PLANS	MD	X	\$75,000	\$8,765,969	0.9%
11522	901	Healthspring of TN Inc	TN	X	\$900,000	\$106,435,943	0.8%
37370		Associated Loggers Exch	ID	P	\$47,474	\$11,714,832	0.4%
13838	140	Farmland Mut Ins Co	IA	P	\$500,000	\$150,195,071	0.3%
66370	968	Mony Life Ins Co	NY	L	\$1,090,548	\$437,682,241	0.2%
53872	1185	KPS Hlth Plans	WA	X	\$4,637	\$11,033,612	0.0%
27251	1135	PMI Mortgage Ins Co	AZ	P	\$285,000,000	(\$2,086,502,558)	-13.7%
12155	707	Medica HlthCare Plans Inc	FL	X	\$1,210,000	(\$5,342,908)	-22.6%
13162		CAGC Ins Co	NC	P	\$1,000,000	(\$1,682,048)	-59.5%
12524		Scaffold Industry Ins Co RRG Inc	DC	P	\$140,189	(\$190,604)	-73.5%
42544		Academic Hlth Professionals Ins	NY	P	\$21,462,794	(\$17,027,366)	-126.0%
66265	440	Monarch Life Ins Co	MA	L	\$1,500,000	(\$833,238)	-180.0%
60246		Netcare Life & Hlth Ins Co	GU	L	\$1,935,000	(\$560,171)	-345.4%
37958		Acceptance Ins Co	NE	P	\$20,000,000	(\$5,451,936)	-366.8%
					\$51,536,392,299	\$1,205,222,061,281*	4.3%

* Total surplus does not include elimination entries and contains stacking

APPENDIX - B

Statutory Accounting Principles 101

SAP, GAAP and IFRS

Objectives

- ✓ Identify specific items of difference between a GAAP and SAP balance sheet
- ✓ Distinguish between how GAAP and SAP handle specific accounting elements on the balance sheet
- ✓ Recognize admitted and nonadmitted assets
- ✓ Recognize liabilities
- ✓ Describe IFRS and how it may impact the future of GAAP and statutory accounting.



GAAP and SAP Differences

GAAP

- Designed to meet the varying needs of different users
- Stresses measurement of profitability/income
- Emphasis on earnings
- Going concern concept

SAP

- Designed to address concerns of regulators
- Stresses ability to satisfy policyholder obligations
- Balance sheet emphasis
- Focuses on liquidity



Foundation Concepts

GAAP

- Relevance
- Reliability
- Neutrality
- Comparability
- Materiality

SAP

Additional Emphasis:

- Conservatism
- Consistency
- Recognition



GAAP vs. SAP

Assets



Burning Down the House

- Illustration of complete GAAP and SAP balance sheets (**see Attachment**)
- Identifies significant differences in accounting and reporting for GAAP and SAP financial statements.
- For illustrative purposes, differences from both Life and P&C companies are included.



Nonadmitted Assets

GAAP Balance Sheet

Total Assets	\$3,111,000
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Statutory Balance Sheet

Assets	Assets Not Admitted	Net Admitted Assets
\$2,794,000	\$ 260,000	\$ 2,534,000

- GAAP does not recognize the concept of “nonadmitted assets”.
- SAP does not allow certain assets to be “admitted” in the balance sheet.
- A nonadmitted asset is one which is accorded limited or no value in statutory reporting.



Investments

GAAP

- Classifies investments as follows in FAS 115:
 - Securities held to maturity are reported at amortized cost;
 - Securities available for sale are reported at fair value;
 - Trading securities are reported at fair value.
- GAAP does not recognize the concept of nonadmitted assets or investment limitations.

SAP

- Bonds are reported at amortized cost except those that are low quality – lower of amortized cost or market (SSAP No. 26).
- Common Stocks are generally reported at SVO fair value (SSAP No. 30).
- Nonadmitted assets due to state investment limitations



Investments

GAAP Balance Sheet

Investments:		
Trading securities	\$	56,000
Securities available for sale		1,200,000
Securities held to maturity		600,000

Statutory Balance Sheet

Investments:	Assets	Assets Not Admitted	Net Admitted Assets
Bonds	\$ 600,000	\$ 2,000	\$ 598,000
Common stocks	1,119,000	15,000	1,104,000

- *In the case of the investments above, the total \$17,000 nonadmitted asset represents investments that exceed the statutory investment limitations imposed by the state of domicile. Most states impose such limitations.*



Goodwill

GAAP Balance Sheet

Goodwill	20,000
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Statutory Balance Sheet

	Assets	Assets Not Admitted	Net Admitted Assets
Investment in Firemen's Insurance Company	50,000	33,000	17,000

- GAAP goodwill = purchase price less **market value**
- GAAP does not limit goodwill.

- SSAP No. 68 goodwill = purchase price less **book value**
- Goodwill in excess of 10% of adj. capital & surplus is nonadmitted.



Mortgage Loans

GAAP Balance Sheet

Mortgage loans on real estate	500,000
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Statutory Balance Sheet

	Assets	Assets Not Admitted	Net Admitted Assets
Mortgage loans on real estate	500,000		500,000

- Mortgage loans are valued at the unpaid principal amount and impairment of the asset can be measured using varying methods.

- Mortgage loans are also valued at the unpaid principal amount pursuant to SSAP No. 37.
- Many states have investment limitations on the ratio of loan value to property value.



Real Estate

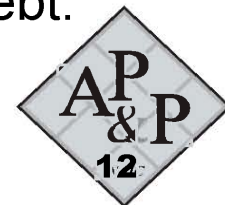
GAAP Balance Sheet

Real estate	50,000
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Statutory Balance Sheet

	Assets	Assets Not Admitted	Net Admitted Assets
Real estate	25,000		25,000

- GAAP requires real estate investments to be reported at depreciated cost and net of any allowance for impairment in value.
- GAAP requires real estate held for sale to be reported at the lower of depreciated cost or fair value less costs to sell.
- Properties occupied by the company and properties held for the production of income are reported at depreciated cost.
- Property held for sale is reported at the lower of depreciated cost or fair value less costs to sell.
- Additionally, all properties are recorded **NET** of any related debt.



Cash & S/T Investments

GAAP Balance Sheet

Cash and cash equivalents 50,000

Statutory Balance Sheet

	Assets	Assets Not Admitted	Net Admitted Assets
Cash and short-term investments	30,000		30,000

- GAAP requires companies with multiple cash accounts to reclassify individual negative cash account balances to liabilities.

- SSAP No. 2 allows negative cash to be reported as a negative asset, consistent with the statutory concept of conservatism.



Other Invested Assets

GAAP Balance Sheet

Statutory Balance Sheet

	Assets	Assets Not Admitted	Net Admitted Assets
Other invested assets	30,000		30,000

- GAAP does not use the classification of “Other Invested Assets.”
- SAP requires certain assets to be recorded as “Other Invested Assets” separately from “Other Assets.”



Accrued Interest

GAAP Balance Sheet

Accrued interest and dividends	25,000
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Statutory Balance Sheet

	Assets	Assets Not Admitted	Net Admitted Assets
Accrued interest and dividends	25,000		25,000

- GAAP allows investment income to be reported as the income is earned by the reporting entity.
- SSAP No. 34 also requires that investment income be reported only as the income is earned by the reporting entity.



Agents Balances

GAAP Balance Sheet

Statutory Balance Sheet

			Assets	Assets Not Admitted	Net Admitted Assets
Premiums receivable and agents' balances	55,000	Agents' balances and uncollected premium	55,000	5,000	50,000

- GAAP requires receivables for premiums and agents' balances to be reported net of a valuation allowance for doubtful accounts.
- Companies are simply required to nonadmit any premium receivable balances greater than 90 days past due. (Exception for government insured plans is within SSAP No. 84.)
- Uncollectible amounts are written off.



Reinsurance Recoverable

GAAP Balance Sheet

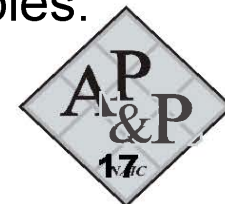
Reinsurance recoverables	50,000
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Statutory Balance Sheet

	Assets	Assets Not Admitted	Net Admitted Assets
Reinsurance recoverables	30,000		30,000

- GAAP requires all amounts due from reinsurers to be recorded as assets.

- SSAP No. 61 and SSAP No. 62 requires reinsurance recoverables on unpaid claims and IBNR to be recorded as a contra-liability and netted against gross losses and loss adjustment expenses or in cases where the right of offset exists, reinsurance payables.



Deferred Acquisition Costs

- DAC calculation includes:
 - Commissions;
 - State premium taxes;
 - Underwriting; and
 - Issuance costs.
- DAC is usually the **largest** difference between GAAP and SAP



DAC

GAAP Balance Sheet

Deferred policy acquisition costs 170,000

Statutory Balance Sheet

Assets	Assets Not Admitted	Net Admitted Assets
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- FAS 60 allows acquisition costs and commissions to be capitalized and amortized to expense over the life of the policy.

- SSAP No. 71 requires acquisition costs and commissions to be expensed as incurred.
- Premiums are recognized as income on a pro rata basis.



DAC Example Assumptions

- Annual premium is \$1,200;
- Policy term is one year;
- Policy is effective December 1; and
- Acquisition expenses for commissions, taxes, policy issuance, etc., are \$360.



SAP Income Statement

	<u>Year 1</u>	<u>Year 2</u>
Premiums Written	\$1,200	\$ -0-
Change in UPR	<u>1,100</u>	<u>(1,100)</u>
Premiums Earned	\$ 100	\$1,100
Acq. Expenses	<u>360</u>	<u>-0-</u>
Net Income (Loss):	\$ (260)	\$1,100



GAAP Income Statement

	<u>Year 1</u>	<u>Year 2</u>
Premiums Written	\$1,200	\$ -0-
Change in UPR	<u>1,100</u>	<u>(1,100)</u>
Premiums Earned	\$ 100	\$1,100
Acquisition Expenses	<u>30</u>	<u>330</u>
Net Income	\$ 70	\$ 770

At the end of year 1, the company would show the unamortized acquisition costs of \$330 as an asset on the GAAP balance sheet.



Furniture, Fixtures & Equip.

GAAP Balance Sheet

Furniture, fixtures and equipment	15,000
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Statutory Balance Sheet

	Assets	Assets Not Admitted	Net Admitted Assets
Furniture, fixtures and equipment	10,000	10,000	-

- FF&E is capitalized and depreciated over its useful life.
- FAS 13 requires reporting entities to classify leases as capital or operating leases.
- SSAP No. 19 nonadmits all such equipment.
- SSAP No. 22 requires all leases to be considered operating leases.



EDP Equipment

GAAP Balance Sheet

EDP equipment and operating software	25,000
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Statutory Balance Sheet

	Assets	Assets Not Admitted	Net Admitted Assets
EDP equipment and operating software	25,000	20,000	5,000

- EDP equipment is capitalized and depreciated over its useful life.

- SSAP No. 16 requires EDP equipment and operating system software that exceeds 3% of adjusted capital and surplus to be nonadmitted.
- Depreciation period is specified by SSAP No. 79 and SSAP No. 16.



Healthcare Delivery Assets

GAAP Balance Sheet

Statutory Balance Sheet

		Assets	Assets Not Admitted	Net Admitted Assets
Fixed assets	250,000	250,000	175,000	75,000

- GAAP does not distinguish between health care delivery assets and other assets.
- GAAP requires that health care delivery assets be depreciated over est. useful lives.
- SAP requires that assets not used in the direct delivery of care be nonadmitted.
- SAP requires that all health care delivery assets be depreciated over their useful lives but no more than three years.



Other Assets

GAAP Balance Sheet

Other assets 45,000

Statutory Balance Sheet

	Assets	Assets Not Admitted	Net Admitted Assets
Other assets	15,000		15,000

- GAAP does not require assets to be classified between “Other Invested Assets” and “Other Assets”.

- SAP requires certain assets (e.g., transportation equipment, mineral rights, certain fixed or variable interest rate investments, etc.) to be recorded as “Other Invested Assets” separately from “Other Assets”.



A & H Premiums Due and Unpaid

GAAP Balance Sheet		Statutory Balance Sheet			
			Assets	Assets Not Admitted	Net Admitted Assets
Premiums receivable and agents' balances	55,000	Accident and health premiums due and unpaid	55,000	5,000	50,000

- GAAP requires receivables for premiums and agents' balances to be reported net of any allowance for doubtful accounts.
- The allowance method is not used for SAP purposes. Rather, under SSAP No. 6 companies are required to nonadmit any receivable balances greater than 90 days past due. (Again, exception exists in SSAP No. 84 for government insured plans.)



Healthcare Receivables

GAAP Balance Sheet		Statutory Balance Sheet			
			Assets	Assets Not Admitted	Net Admitted Assets
Health care receivables	250.000	Health care receivables	250.000	150.000	100.000

- GAAP does not distinguish between different types of health care receivables.
- GAAP only requires receivables to be reported net of any allowance for doubtful accounts.
- SSAP No. 84 provides a listing of those health care receivables that might be considered an admitted asset.
- The allowance method is not used for SAP purposes. Rather, the admissibility rules in SSAP No. 84 must be followed.



GAAP vs. SAP

Liabilities



P & C Reserves

GAAP Balance Sheet

Reserve for property-liability claims \$ 800,000

- Management's best estimate of the liability
- Generally allows discounting of this liability
- Requires recording of the minimum point in a range as its liability when all points are equally probable

Statutory Balance Sheet

Reserve for property-liability claims \$ 900,000

- Management's best estimate of the liability
- Generally does not allow discounting of this liability
- Requires recording of the mid-point in a range as its liability when all points are equally probable



A & H Reserves

GAAP Balance Sheet

Reserve for A&H claims 900,000

- Management's best estimate of the liability
- Generally allows discounting of this liability
- Requires recording of the minimum point in a range as its liability when all points are equally probable

Statutory Balance Sheet

Reserve for A&H claims 900,000

- Management's best estimate of the liability
- Generally does not allow discounting of this liability
- Requires recording of the mid-point in a range as its liability when all points are equally probable



Unearned Premiums

GAAP Balance Sheet

Unearned premiums	250,000
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Statutory Balance Sheet

Unearned premiums	10,000
Advance premiums	240,000

- FAS 60 only allows premiums to be recognized on a pro-rata basis (daily pro-rata or monthly pro-rata). This results in the recording of an unearned premium liability for the portion of premium received but not yet earned.
- SSAP No. 53 also only allows premiums to be recognized on a pro-rata basis (daily pro-rata or monthly pro-rata).
- SSAP No. 54 requires premiums to be recognized when due.



SSAP No. 10 - Income Taxes

- Temporary difference – a difference between the tax basis of an asset or liability and its book amount that will result in taxable or deductible amounts in future years
- Deferred tax asset – an item was taken as a deduction for financial reporting before the deduction was allowed on the tax return; or an item of income was included in the tax return before it was income for financial reporting
- Deferred tax liability – an item was taken as a deduction on the tax return before the deduction was allowed for financial reporting purposes; or item of income was included for financial reporting before it was included as income on the tax return
- Deferred tax provision – the deferred tax provision is determined by comparing the beginning deferred tax accrual amount to the computation of the year-end deferred tax accrual amount



Changes in Deferred Income Taxes

Surplus:

- Change in accounting principle;
- Change in deferred taxes;
- Unrealized Net Gain/Loss; and/or
- Change in non-admitted assets.



Deferred Income Taxes

GAAP Balance Sheet

Deferred income taxes	15,000
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Statutory Balance Sheet

Deferred income taxes	5,000
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- GAAP requires DTAs/DTLs to be recorded for temporary differences between GAAP book income and taxable income.
- GAAP does not limit DTAs (or DTLs).
- SSAP No. 10 requires DTAs/ DTLs to be recorded for temporary differences between SAP book income and taxable income.
- Net DTAs limited by an admissibility test; no limit on net DTLs



Other Liabilities

GAAP Balance Sheet		Statutory Balance Sheet	
Other liabilities	30,000	Other liabilities	10,000

Note: *In the case of Burning Down the House, the GAAP liability is \$20,000 higher because Burning Down the House has one negative cash account with a balance of \$20,000.*

- GAAP records “other liabilities” when the liability:
 - (1) is probable; and
 - (2) can be reasonably estimated.
- When both criteria are met, the liability is required to be recorded.
- SAP requires other liabilities to be recorded and presented consistent with GAAP.



Debt

GAAP Balance Sheet

Long-term debt	100,000
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Statutory Balance Sheet

Borrowed money	25,000
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- GAAP requires L/T debt to be recorded as a separate liability on the balance sheet. GAAP generally does not allow debt to be used as an offset against the related asset acquired with the debt.

- SAP allows certain debt to be used as an offset to the related asset for which the debt was obtained.
- SAP No. 41 allows reporting entities to issue instruments with characteristics of both debt and equity, referred to as surplus notes. These are reported in surplus.



Burning Down the House

- Under SAP, \$25,000 of long-term debt (i.e., Borrowed Money) is used to offset the related real estate investment. Rather than presenting the \$25,000 as a separate liability, the real estate investment is reduced by \$25,000 which explains the difference between the GAAP and SAP balances for real estate of \$50,000 and \$25,000, respectively.



Long-term Debt, continued

- The remaining difference between the GAAP and SAP long-term debt balances is the \$50,000 that is recorded as surplus notes in the “Surplus” section of the SAP financial statements.
- Note: SAP balances of \$25,000 (included as offset to real estate asset), \$50,000 (included as surplus notes) and the \$25,000 of borrowed money equals the GAAP long-term debt balance of \$100,000.



Surplus

GAAP Balance Sheet

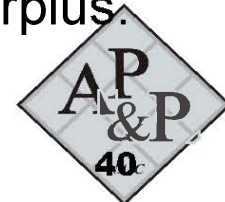
Common stock	12,000
Additional paid in capital	100,000
Retained earnings	675,000
Accumulated other comprehensive income	208,000

- GAAP recognizes stockholders' equity adjusted for net income within R/E.
- GAAP requires recognition of "Other Comprehensive Income" (OCI).
- GAAP requires surplus notes issued by the company (which is similar to debt) to be reported as long-term debt.

Statutory Balance Sheet

Common stock	12,000
Additional paid in capital	100,000
Unassigned funds (surplus)	216,000
Surplus notes	50,000

- Unassigned funds include the cumulative effect of net income, unrealized gains and losses, exchange rate fluctuations, nonadmitted assets, provision for reinsurance, asset valuation reserve, and changes in DTAs and DTLs.
- No OCI
- SSAP No. 41 allows surplus notes to be reflected in surplus.



Final Thoughts

- GAAP and SAP have fundamentally different approaches.
- Although SAP reviews and uses some of the GAAP pronouncements, the objectives are different.

