

Schedule P Instructions project

Background:

Gain Compliance and AXA XL sent a letter to the NAIC's Blanks Working Group (BWG) on 1/29/2024 in response to the request for comments on 2023-16BWG. (2023-16BWG recommended that Schedule P be changed to show 10 years of data and a "prior" row for all lines of business beginning in 2024.) Gain Compliance and AXA XL made several recommendations, including that the instructions for the "prior" row be clarified for Parts 2, 3, and 5 and for the claim count columns in Part 3. They wrote, "The Schedule P instructions for this information are either vague or not included at all, leaving the preparer or software vendors to interpret the data requested."

This letter was shared with CASTF, and we decided to review the Schedule P instructions, with an eye toward clarifying the instructions for the "prior" rows.

Phase 1:

Kris DeFrain took the lead on Phase 1 of the project, which involved changes such as adding more sections to explain the "prior" rows and performing some clean-up, such as adding paragraph numbering and eliminating instructions that applied to business prior to 2000. In a 10/8/2024 CASTF meeting, Kris proposed that regulators consider these changes first and think about making additional changes in a second phase of the project. She requested volunteers to review the Phase 1 proposals before exposure. Miriam Fisk (Texas) and I (Julie Lederer, Missouri) volunteered.

No comments were received during CASTF's exposure of Phase 1. BWG concurrently exposed the proposal and recommended the deletion of one sentence. CASTF adopted the amended proposal on 3/24/2025, and BWG adopted the proposal on 5/29/2025 (2025-07BWG). The year-end 2025 annual statement instructions reflect the Phase 1 changes.

Phase 2:

As Kris mentioned in the 10/8/2024 CASTF meeting, it seemed like the instructions might benefit from additional changes beyond those proposed in Phase 1. This led to Phase 2. As described in the document I shared on the 2/10/2026 CASTF call ("Overview of Phase 2 proposals.docx"), the Phase 2 proposals include correcting incorrect information, moving content without changing the content, making minor improvements, increasing clarity without changing the meaning, and correcting information that used to be true based on old annual statement blanks but is no longer true. As in Phase 1, the main focus is still addressing the instructions for the "prior" rows by enhancing descriptions and adding examples.

CASTF exposed the Phase 2 proposal for a 45-day public comment period ending on 3/26/2026. We received comments from APCIA, COPLFR, the Illinois Department of Insurance, the Louisiana Department of Insurance, and NAMIC. Thank you to those who reviewed the proposal.

Below is a summary of the comments and my (JL's) responses. Some of the comments would entail proposing changes to the annual statement blank. This would require CASTF to expand the scope of the project beyond merely improving the instructions and clarifying expectations for the "prior" rows.

Phase 2 comments and responses:

APCIA

1. We believe additional language to the new point 11 would add further clarity: "The reserves reported are expected to represent the ultimate amounts to be paid, including anticipated inflation for incurred losses."

JL response: I deleted this sentence based on COPLFR's recommendation #3.

COPLFR

1. We suggest that the terms "pooling" and "affiliated pooling" used throughout the Instructions be changed to "intercompany pooling" to align to SSAP No. 63 and to clarify that the Schedule P Instructions that relate to pooling are exclusive to intercompany pooling, as opposed to voluntary or involuntary pooling, which are also discussed in SSAP No. 63.

JL response: I added "intercompany" before "pool" or "pooling" where it seemed to make sense. I changed "affiliated pooling" to "intercompany pooling." I added "SSAP No. 63 establishes statutory accounting principles for intercompany pools." to the first paragraph in the pooling section. The definitions of DCC and A&O expenses reference involuntary and involuntary pools, so I did not say that the Schedule P instructions are exclusively referencing intercompany pools.

Further, we suggest adding a clarifying comment that under these Instructions, intercompany pooling will cause the numbers reported in Schedule P not to reconcile to other parts of the Annual Statement. For example, a 0% pool participant will show nothing in Schedule P, but could have significant direct business in the Underwriting & Investment Exhibit.

JL response: I added this as a separate paragraph in the pooling section: "Intercompany pooling may cause the numbers reported in Schedule P to not reconcile to other parts of the annual statement. For example, a 0% pool participant

will show nothing in Schedule P but could have significant direct business in the Underwriting and Investment Exhibit.”

Finally, Instruction #5 for Schedule P – Part 1 currently states “For reporting entities reporting on a pooling basis, the pooling percentage should be applied to claim count as well as dollar amounts.” We encourage the NAIC to clarify that this instruction only applies to pooled business (not to all business).

JL response: I added “for the business subject to intercompany pooling” to the end of the sentence.

2. Instruction #9 for Schedule P states “Schedule P, Part 1 should be gross of non-tabular discount and net of tabular discount.” We believe this is only true through Column 31 of Part 1, as Columns 35 and 36 are net of all discount (per Instruction #16 for Schedule P – Part 1).

JL response: I changed the sentence to “Schedule P, Part 1 should be gross of nontabular discount and net of tabular discount, with the exception of Columns 35 and 36, which are net of all discount.”

3. We suggest deleting Instruction #10 and Instruction #11 for Schedule P. These two instructions describe two important factors that management should consider in setting the reserves for unpaid losses and loss adjustment expenses, but the factors named within the Schedule P Instructions are not the only important considerations for management. SSAP No. 55 provides more detailed and explicit requirements on how management should set reserves, and we believe the two items named in these Instructions do not add additional value.

If the Task Force elects to retain these Instructions, we suggest that a reference to SSAP No. 55 be added, similar to the reference to SSAP No. 65 in Instruction #9.

JL response: I deleted those two paragraphs. Those are not instructions for filling out Schedule P and don’t seem to belong here.

4. Instruction #1 for Schedule P – Part 1 states that amounts “paid, unpaid, and incurred should reconcile with the Statement of Income page.” We believe that the Statement of Income page only shows amounts incurred, and does not show amounts paid or unpaid.

JL response: I changed the sentence to “Premiums earned, losses incurred, and loss adjustment expenses incurred should reconcile with the Statement of Income page.”

5. Instruction #3 for Schedule P – Part 1 states “The number of claims reported in each incurred year is equal to the number of open claims at the end of the current year plus cumulative claims closed with or without payment in current and previous calendar years.” We believe that this statement could create confusion with respect to re-opened claims, as it could imply that re-opened claims should be double-counted (i.e., the claim was closed with or without payment in a previous calendar year and is currently open). We suggest clarifying this statement.

JL response: I added “possibly with adjustments for reopened claims” to the end of the sentence. I believe some companies do count reopened claims as an additional claim.

6. Instruction #5 for Schedule P – Part 1 limits the lines of business for which claim counts are reported. We suggest that the Task Force consider whether such information might be useful for other lines of business. In particular, given the responsibility of the Appointed Actuary to reconcile data used in the actuarial analysis to Schedule P, we note that the absence of claim counts for certain lines of business in Schedule P means that this reconciliation cannot be performed for those lines of business.

JL response: Please see the response to Illinois’s comment 1.b.

7. Instruction #5 for Schedule P – Part 1 states that reporting entities should “Indicate in the Interrogatories whether claim count information is reported per claim or per claimant.” We suggest that the Task Force consider whether other claim count metrics might be acceptable if appropriately disclosed in the Interrogatories, such as claim counts per feature.

JL response: I don’t disagree. E.g., sometimes medical professional liability claims are reported per defendant. The interrogatories would need to change before the instructions, and interrogatory changes would require a change to the blanks.

8. Instruction #7 for Schedule P – Part 1 states “Loss payments are to be reported net of salvage and subrogation received in Schedule P.” While we acknowledge that salvage and subrogation commonly applies to loss payments, it is possible to subrogate loss adjustment expenses. We suggest clarifying how salvage and subrogation should be handled for loss adjustment expenses.

JL response: I changed the sentence to “Loss and loss adjustment expense payments are to be reported net of salvage and subrogation received in Schedule P.” Other places in the instructions say that “amounts” or “figures” should be net of salvage and subrogation without specifying losses or loss adjustment expenses, which suggests that both loss and LAE are to be net of salvage and subrogation.

9. Instruction #7 for Schedule P – Part 1 states “The workpapers that show a reconciliation explaining reinsurance, discounting, and salvage and subrogation adjustments should be available for examination on request.” We have no comments on the phrasing of this Instruction but observe that it is broader than the other items covered in Instruction #7 and suggest that it be made a separate Instruction that stands on its own.

JL response: I made this a separate paragraph.

10. Instruction #8 for Schedule P – Part 1 states “In projecting the necessary reserves for [DCC and A&O] expenses, actuaries use a different approach for each of the two types of expenses.” We suggest that this sentence be deleted. In our experience, this statement is not always true, and we do not believe that it adds value to the Instructions.

JL response: I deleted the sentence. That is not an instruction for filling out Schedule P and does not seem to belong here.

11. Instruction #17 for Schedule P – Part 1 states “Report in Column 23 the estimated amount of anticipated salvage and subrogation that has been taken as credit (netted) in the reserves for unpaid losses and loss adjustment expenses reported in Column 24.” We observe that anticipated salvage and subrogation is not always readily quantifiable if the actuarial analysis was performed on data that is net of salvage and subrogation. In such a case, the resulting estimate of unpaid loss and loss adjustment expense is inherently net of salvage and subrogation, but the amount was not quantified as part of the analysis. We suggest that the Task Force consider how reporting entities should populate Column 23 in this case.

JL response: Interesting comment. Column 23 is just a memo column in Schedule P, provided for information only and not used in calculations. Do you know what reporting entities typically do in the situation you described?

12. Instructions #1 through #5 for Schedule P – Parts 1A Through 1U clarify how premiums and losses should be reported between claims-made and occurrence lines. However, we observe that only the Other Liability and Product Liability lines of business are segmented between claims-made and occurrence within Schedule P. Therefore, we suggest clarifying that these Instructions do not apply to Parts 1A through 1U, but only to Parts 1H and 1R.

JL response: I changed the title of this section to “Schedule P – Parts 1H and 1R.”

13. Instruction #1 for Schedule P – Parts 2, 3, and 4 states that Part 2 “provides a loss and expense development overview to test the adequacy of the reporting entity’s reserves.” We believe that the term “test” may not be appropriate in this context as it

could imply a standard against which the reserves are tested. We suggest that this sentence be changed to “Schedule P, Part 2 provides a summary of the loss and DCC expense values over time to review the adequacy of the reporting entity’s reserves.”

JL response: I changed the sentence to “Schedule P, Part 2 provides a summary of the loss and DCC expense values over time and may be used to review the adequacy of the reporting entity’s reserves.”

Further, this Instruction states that Part 4 “does not show development of [bulk and IBNR] reserves.” We observe that Part 4 does show the development of bulk and IBNR reserves over time and suggest that this sentence be deleted.

JL response: I deleted that sentence.

14. Instruction #4 for Schedule P – Parts 2, 3, and 4 states “The Bulk and IBNR reserves in Part 4 are the actuarially determined reserves and are included in the losses unpaid and DCC expenses unpaid reported in Schedule P, Parts 1 and 2.” We note that, per SSAP No. 55, the determination of the unpaid loss and DCC expenses, including the bulk and IBNR component, is the responsibility of entity management. While these reserves may be actuarially determined, it is not necessarily true that what is recorded in the financial statements was determined by an actuary, with input from an actuary, or using actuarial techniques. Therefore, we suggest that this sentence be changed to “The Bulk and IBNR reserves in Part 4 are the reserves determined by management in accordance with SSAP No. 55 and are included in the losses unpaid and DCC expenses unpaid reported in Schedule P, Parts 1 and 2.”

JL response: I changed that sentence to “The bulk and IBNR reserves in Part 4 are included in the losses unpaid and DCC expenses unpaid reported in Schedule P, Parts 1 and 2.”

15. Instruction #4 for Schedule P – Part 5 states ““Direct and assumed” means direct plus the proportion of a pool plus proportional reinsurance assumed.” We believe that this sentence is incorrect and conflicts with the pooling guidance provided earlier in the document.

JL response: I changed this sentence to ““Direct and assumed’ means direct business not subject to intercompany pooling, plus the company’s proportionate share of the total number of pooled claims, plus assumed from other than the intercompany pool.” I also changed “The same percentage used for dollar amounts should also be used for the claim counts.” To “Assumed claim counts on proportional reinsurance arrangements should use the same proportion as losses.” I think this brings this paragraph into alignment with “Direct and Assumed columns include the participation in any intercompany pool. In addition, all direct business

not pooled plus assumed business from other than the intercompany pool is to be included.” from the pooling section of the document.

16. Instruction #1 for Schedule P – Part 6 refers to “the written premium file.” We suggest clarification as it is unclear to what file this phrase is referring.

JL response: I believe this is referencing the insurer’s internal policy database.

JL note: In addition to the comment letter, COPLFR provided a Word document with suggested edits in track changes mode. I made the majority of the recommended edits.

Illinois Department of Insurance

1. Regarding Schedule P – Part 1 Paragraph 5 (in your Phase 2 version of the Schedule P Instructions):
 - a. It specifies which lines of business (LOB) apply to Column 12 (Reported Claims), with Auto Physical Damage (APD) being one of them. Consequently, these also appear to be the required LOBs that are reported in Schedule P - Part 5, as shown in the 2025 P&C Annual Statement Blank. However, APD is not shown in the Blank for Part 5.
 - i. I am wondering if that is an oversight in the Blank or if APD should not be listed in the Instructions?

JL response: Good observation. The blank for Part 1J, Column 12 indicates that reported claims should be shown for auto physical damage. There is not a Part 5J in the blanks for auto physical damage. I’m not sure if there is intended to be a one-to-one correspondence between the lines of business for which Part 1, Column 12 needs to be reported and the lines of business for which Part 5 needs to be completed.

- ii. Should the LOBs that must show Reported Claims in Column 12 of Schedule P – Part 1 also be the same LOBs for which Schedule P – Part 5 must be filled out? If so, should Schedule P – Part 5 of the Instructions reiterate the LOBs applicable to Part 5?

JL response: I’m not sure if there is intended to be a one-to-one correspondence between the lines of business for which Part 1, Column 12 needs to be reported and the lines of business for which Part 5 needs to be completed.

- b. Further in Schedule P – Part 1 Paragraph 5 of the Instructions, it states that Column 25 (Outstanding Claims) must be reported for all lines except the non-proportional assumed reinsurance lines that are listed. Do you know

why only some lines of business have to disclose the number of Reported Claims in Column 12 and why that requirement differs for Outstanding Claims in Column 25?

JL response: Good question. I don't know why there are some lines of business (Special Liability, Special Property, Fidelity/Surety, Other [including credit and accident and health], International, Financial Guaranty/Mortgage Guaranty, and Pet Insurance) for which Part 1, Column 25 (outstanding claims) needs to be reported and Part 1, Column 12 (reported claims) does not. Feldblum's seminal January 2002 Schedule P paper says, "Reported claim counts are not shown for lines combining different types of coverage, such as special liability, special property, international, and non-proportional reinsurance." I added this quote to the "Schedule P – Part 1" section of the document.

I understand that assumed and ceded claims for non-proportional reinsurance can be hard to measure, which is why neither reported nor outstanding counts are required to be shown for the nonproportional assumed reinsurance lines of business (Parts 1N, 1O, and 1P). Feldblum says for these three lines of business, "Since the reinsurer is assuming a layer of loss, not the entire loss, the number of outstanding claims is not a meaningful figure" and "For non-proportional reinsurance, there is no simple way to determine the number of claims ceded or assumed, since the percentage of a claim that is ceded depends on the size of the claim. For this reason, ceded and net claim counts are not shown for any line, and assumed claim counts are not shown for non-proportional reinsurance." I added the second quote above to the "Schedule P – Part 1" section of the document.

Feldblum provides these examples of why it's hard to assign claim counts to nonproportional reinsurance:

- "An explosion in a large factory may reverberate through several excess reinsurance layers and their retrocession agreements. Rules for the percentage of a claim shown by each reinsurer would be arbitrary."
- "An aggregate retention in an excess-of-loss treaty would cause a reinsurance recoverable stemming from the complete book of business. There is no claim count."

2. Regarding Schedule P – Parts 2, 3 and 4 (in your Phase 2 version of Schedule P Instructions), the Instructions do not disclose which LOBs should report on Closed Claims with Payments and Closed Claims without Payments in Columns 11 and 12, respectively, of Part 3? These appear to be the same LOBs for Schedule P – Part 1 Column 12. Currently, I believe the only way to verify this would be the Blank, unless I have overlooked it elsewhere.

JL response: Yes, the blanks suggest that the lines of business that need reporting on Part 3, columns 11 and 12 are the same as those that require reporting on Part 1, column 12. I added this sentence to the “Schedule P – Parts 2, 3, and 4” section: “The claim counts in Columns 11 and 12 of Part 3 should be reported for Auto Liability (commercial and private passenger), Workers’ Compensation, Medical Professional Liability, Homeowners/Farmowners Multiple Peril, Commercial Multiple Peril, Other Liability, Products Liability, Auto Physical Damage and Warranty only.”

3. Schedule P only reports net incurred loss and DCC development, while Notes to Financial Statements #25 report net incurred loss and LAE development. Many times, companies have incorrectly reported the development amount from Schedule P in Note #25. Those amounts should only be the same if A&O development is zero. This is also very confusing for our financial analysts. I know this is outside the scope of your work for the Schedule P Instructions, but have you ever heard from regulators that it would be nice having another column in Schedule P that reported net incurred loss and LAE development by accident year and in total (which would then tie to Note #25)?

JL response: Interesting comment. I am not aware of other regulators bringing this up, but I understand the challenge in reconciling Schedule P Part 2 to Note 25.

Louisiana Department of Insurance

1. On page 1: The below statement [“Schedule P, Part 1 should be gross of non-tabular discount and net of tabular discount.”] is not universally true given that columns 35 and 36 shall be net of both nontabular discount and tabular discount. Perhaps an addition like “with exception of columns 35 & 36” would be informative.

JL response: I changed the sentence to “Schedule P, Part 1 should be gross of nontabular discount and net of tabular discount, with the exception of Columns 35 and 36, which are net of all discount.”

2. Regarding the footnote on the Schedule P – Part 2 exhibit that says “From Part 1: Column 11 - (Column 8 - Column 9) + Column 24 - (Column 21 - Column 22), plus any tabular discount netted from the loss reserves in Column 24”: While non-tabular discounts are typically disclosed in specific columns (32 and 33) of SCHP P part1, , the tabular discount itself does not necessarily need to be shown separately in the columns in part 1. The below sentence is used for reconciliation of part 2 using column 24 of part 1. Given companies are not required to provide a separate column for tabular discounts, how is the below note useful for reconciliation?

JL response: I agree. The existing formula was not correct for a company that uses tabular discounting, so I corrected it. But you're right that one can't reconcile Parts 1 and 2 with the information currently provided in the annual statement. An interested party suggested adding columns in Part 1 for tabular discounting (one column for case and one for IBNR), which would permit a reconciliation. This would involve proposing a Blanks change.

NAMIC

NAMIC provided comments within the Word document of the exposure draft. I summarized the comments below.

1. "State Page" is sometimes capitalized and sometimes not.

JL response: And "state page" is just a nickname for the Exhibit of Premiums and Losses anyway. I changed the first instance of "state page" to "Exhibit of Premiums and Losses ('state page')" and then used "state page" in the later reference.

2. Could the move from "accident year" to "incurred year" cause confusion? Is this handled consistently among the SSAPs and SAO?

JL response: This was a Phase 1 change, which was made because the trigger for coverage is not always the occurrence of an accident.

3. Should the reference to "accident year" in the description of DCC expenses change to "incurred year"?

JL response: I did not alter any language that was taken directly from SSAP No. 55.

4. Regarding the statement "All amounts in Schedule P, Parts 2, 3, and 4 are reported net of reinsurance.": We would like clarity on how this applies to counts. For example, in entities that have 100% quota share agreements, carriers are still providing counts in part 3, col 11 & 12 due to the 'direct & assumed' comment about counts in Part 5.

JL response: I believe claim counts in Schedule P are all on a direct and assumed basis. I changed "All amounts in Schedule P, Parts 2, 3, and 4 are reported net of reinsurance." to "All dollar amounts in Schedule P, Parts 2, 3, and 4 are reported net of reinsurance. Claim count information in Part 3 should be on a direct and assumed basis."

5. Regarding the statement: "All claim count information reported in Schedule P should be on a 'direct and assumed' basis. 'Direct and assumed' means direct plus the proportion of a pool plus proportional reinsurance assumed. The same

percentage used for dollar amounts should also be used for the claim counts.”: This statement is the reason we fill out Part 3, though Part 3 states that it is net. Clarity here would be appreciated.

JL response: Please see the response to item #4 above. Also, please see the changes made to the quoted information in response to one of COPLFR’s comments.

6. Regarding the prior row section for Sections 6 and 7 of Part 7: Change “Expense” to lower case consistent with other edits to the document.

JL response: I fixed this.

7. Regarding the Part 4 formulas: Question: Would it be appropriate in this table to update “ay” to “iy” (incurred year) consistent with the rest of the change throughout the document from accident year to incurred year?

JL response: I deleted the ay’s in the Part 4 formulas. This is consistent with the Parts 2 and 3 formulas, which say, for example, “paid thru 2020 + rsvs on 2017 @ ye 2020” and “paid thru 2018 on 2017.”

Areas for future discussion:

The goal of this project was to review the Schedule P instructions with a focus on enhancing the description of the “prior” rows. Phases 1 and 2 have accomplished that goal.

If CASTF wishes to continue the project, or start a new project, here are some potential areas for discussion. Some of these entail further edits to the instructions and therefore might fit within a Phase 3 of the current project. Others might entail proposing changes to the blanks, so they go beyond the scope of the current project.

Potential Phase 3 edits and discussions:

1. I recommend adding something like the following to the “Prior Row” subsection of the “Schedule P – Parts 2, 3, and 4” section of the document: “If the year in Column 1 is 20XX, Line 1 of Part 3, Column 11 shows claims closed with loss payment in calendar years 20XX+1 through 20XX+9 on incurred years 20XX-1 and prior. If the year in Column 1 is 20XX, Line 1 of Part 3, Column 12 shows claims closed without loss payment in calendar years 20XX+1 through 20XX+9 on incurred years 20XX-1 and prior.”

The instructions do not currently have a description of the prior rows for the claim count columns in Part 3, as noted in the Gain Compliance/AXA XL letter to BWG. I believe this added description is what regulators expect in these cells but would

appreciate if someone could double-check. Considering count activity in calendar years 20XX+1 through 20XX+9 makes these instructions analogous to those for the payments in the prior row.

2. Assuming there's agreement on the point above:
 - a. I recommend adding something like the following to the "Prior Row" subsection of the "Schedule P – Part 5" section: "The value in Part 3, Line 1, Column 11 will always be greater than or equal to the value in Part 5, Section 1, Line 1, Column 10. The Part 3 value in the 2024 annual statement equals the claims closed with loss payment in calendar years 2016 through 2024 for incurred years prior to 2015. The Part 5 value equals the claims closed with loss payment in calendar year 2024 for incurred years prior to 2015." This would answer a question in the Gain Compliance/AXA XL letter to BWG.
 - b. We could add formulas to the claim count columns in the "Schedule P – Part 3" exhibit.
3. Could these footnotes be added to Exhibit A? I would appreciate a double check of the formulas for rows 5 and 6.

$$\begin{aligned} 4 &= 1+2+3 \\ 5 &= 6-4 \\ 6 &= 4 \text{ Total} * \text{pooling percentage} \\ 9 &= 7+8 \\ 10 &= 1+7 \\ 11 &= 2 \\ 12 &= 3+8 \\ 13 &= 5 \\ 14 &= 10+11+12+13 \end{aligned}$$

4. I recommend specifying that the formulas in the "Formulas for Schedule P, Parts 2024" section are for the 2025 annual statement and NOT subsequently updating them every year. Annual updates make errors more likely, and companies should be able to use the 2025 template to fill out the schedule for any year's annual statement.
5. The "Sections 2 and 3: Loss Development" subsection of the "Schedule P – Part 7" section of the document has a paragraph that begins "One reasonability benchmark that can be used to verify that the data is presented on a policy year basis...". I'm not sure this paragraph is true. Doesn't the estimate of ultimate for a policy year at 12 months contemplate the ultimate losses on unearned exposures? I understand that the *case incurred* losses (case + paid) could be about twice as large at 24 months than at 12 months, but why would this be true for *ultimates* as well? (I also

understand that the reserves at 12 months should not contemplate losses on unearned exposures, which would mean adjusting the policy year ultimate before subtracting paid amounts.)

6. The “Sections 2 and 3: Loss Development” subsection of the “Schedule P – Part 7” section of the document has these sentences: “A second reasonability benchmark that can be used to verify the data presentation is to examine the ratio of Section 2 incurred loss and allocated expenses to Section 4 net earned premiums. The ratio of incurred losses to net earned premiums should all be similar at each valuation date.” I don’t know if the second sentence is true. It seems like this might be true for case incurred losses (case reserves + paid losses) but not necessarily for ultimate losses.
7. There are still some minor inconsistencies in the document. E.g., sometimes we use “company” and other times “reporting entity,” sometimes we use “row” and other times “line,” and sometimes we use the Oxford comma and sometimes not.

For further discussion:

1. Is there intended to be a one-to-one correspondence between the lines of business for which Part 1, Column 12 (reported claim counts) needs to be reported and the lines of business for which Part 5 needs to be completed? (See Illinois’s comment letter.)
2. Why are there some lines of business for which Part 1, Column 25 (outstanding claim counts) needs to be reported and Part 1, Column 12 (reported claim counts) does not? (See Illinois’s comment letter, as well as the AXA XL/Gain Compliance letter to the BWG.)
3. Is it reasonable to require outstanding claim counts to be reported in Part 1, Column 25 of the Summary but not to require outstanding claim counts for the three nonproportional reinsurance assumed lines of business (Parts 1N, 1O, and 1P)? If it’s hard to determine claim counts for nonproportional reinsurance, it’s not clear how companies with this exposure are completing Part 1, Summary.
4. The “Prior Row” subsection of the “Schedule P – Part 5” section says, “Even though Schedule P, Part 1, Column 12, does not require prior row information, reporting entities should have this information available. If not, reasonable estimates should be made.” Does this make sense? I assumed that the reason for not requiring prior row reporting was that the information was hard to come by. This suggests that companies should have it.

5. We could consider recommending a change to the blanks for Part 3 to specify that the claim counts should be on a direct and assumed basis. (See NAMIC’s comment letter.)
6. Is the count information in Schedule P useful to regulators?
7. Should we recommend a change to the blanks for Part 6? The label for the leftmost column in Part 6 says “Years in Which Premiums Were Earned [...]”. I believe this should say something like “Years in Which Premiums Were Exposed to Loss [...]”. As it stands, the label in Part 6 is the same as in Part 1, where the premiums reflect calendar year experience.

E.g., the 2015 row in Part 1 shows premium earned in calendar year 2015, while the 2015 row in Part 6 shows premium exposed to loss in 2015 (some or all of which may be earned in 2015). Row 13 of Part 6 shows the calendar year earned premium corresponding to the column label, which ties to Part 1.

8. I recommend that we propose a blanks change to remove the prior row in Sections 2 through 7 of Part 7. Most importantly, this row is not used in calculating the RBC credit for loss sensitive contracts. Part 7 is designed to show how sensitive the premium is to losses, which requires matching premium to losses; aggregate premium and loss data from multiple policy years would not help in measuring this sensitivity.

Also, the instructions require companies to retain information for old policy years as of prior year-ends. For example, the instructions for the Section 2 prior years row in the 2024 annual statement seem to require the company to retain a record of the ultimates for policy years 2014 and prior as of year-end 2017. The prior row instructions for Part 7 are different from the prior row instructions for all the other parts of Schedule P and don’t seem to align with companies’ data retention practices.

Feldblum’s footnote 84 says, “The designers of Schedule P, Part 7, had no intentions for the prior years row. This row is not used for quantifying premium sensitivity. Companies should ignore this row.”

9. Regarding the “Sections 6 and 7 (Part 7B only): Commission Development” subsection of the “Schedule P – Part 7” section of the document: The earned premiums in Section 4 are supposed to include the reserve for premium adjustments in Section 5. Is the same true for Section 6? I.e., should the commissions in Section 6 contemplate the accruals in Section 7?
10. The “Sections 6 and 7 (Part 7B only): Commission Development” subsection of the “Schedule P – Part 7” section of the document says, “An entry denoting the

expectation of future additional commissions to be paid should be displayed as a negative value. An entry denoting the expectation of future return commissions should be displayed as a positive value. Wouldn't additional commissions that the insurer expects to pay be reported as a positive value? That would seem to make Section 7 align with Section 6, since I assume that commissions paid and payable in Section 6 are reported as positive values.

SCHEDULE P

- There are seven parts and the interrogatories within Schedule P. Part 1 provides detailed information on losses and loss adjustment expenses. Part 2 provides a history of incurred losses and defense & cost containment (DCC) expenses. Part 3 provides a history of loss and DCC payments. Part 4 provides a history of bulk and incurred but not reported (IBNR) reserves. Part 5 provides a history of claim counts. 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.
- Earned premium is on a calendar year basis in Part 1, an exposure year basis in Part 6, and a policy year basis in Part 7. Except in Part 7, which shows policy year experience, 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). Hereafter, this is called the "incurred year."
- Schedule P displays ten years of historical data for all lines of business.
- Report all dollar amounts in Schedule P in thousands of dollars (\$000 omitted), by either rounding or truncating. Claim counts should be reported as whole numbers.
- The lines of business in Schedule P are groupings of the lines of business used on the Exhibit of Premiums and Losses ("state page"). In some cases, the heading of the line of business has been expanded for clarity. Business reported on the Aggregate write-ins for other lines of business line of the state page should be included in the Other Liability sections of Schedule P.
- 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.
- 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 an intercompany pooling agreement, show only its share of the business, not the total for all participants.
- 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 adjustment expense reserves and from its schedules and exhibits.
- Schedule P, Part 1 should be gross of non-tabular discount and net of tabular discount, with the exception of Columns 35 and 36, which are net of all discount. The other parts of Schedule P should be gross of all discounts so that the annual statement user can make effective use of the triangles in Parts 2, 3, and 4. 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 No. 65—Property and Casualty Contracts.
- In those instances where a reporting entity files an amended annual statement as a result of a restatement of previous year earned premium, losses or loss adjustment expenses, Schedule P must be restated and included in the amended annual statement.

The Prior Row:

- The "prior" row contains data for all incurred years prior to the most recent 10 years. The calculation of the prior row differs by Part and Section.

Intercompany Pooling:

- Many insurers have an intercompany 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

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- Commented [JL2]: Moved this from the Parts 1A through 1U section to this intro section since this applies to all parts of Schedule P.
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- Commented [JL4]: There is not an "aggregate write-ins for other lines of business" line on the statement of income. There is an "aggregate write-ins for other lines of business" line on the state pages and on the Underwriting and Investment Exhibit.
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- Deleted: 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.
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- Commented [JL7]: Moved this from below because it seems to fit better here in the overview section than in the "prior row" section.
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percentage. Some affiliated companies may be part of the intercompany 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 intercompany pooling arrangements, not before. SSAP No. 63 establishes statutory accounting principles for intercompany pools.

13. Pooled business ceded is that which, if retained instead of ceded, would be pooled among the affiliated companies that are party to the intercompany pooling agreement. Any such business that is ceded by the intercompany pool participants to non-pooled companies before 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 intercompany pooling, as well as any pooled business that is ceded after the intercompany pooling distribution has been made.

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

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15. Claim counts should be reported in accordance with the intercompany 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 intercompany pool, then 40% of the claim count should be reported.

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16. Intercompany pooling may cause the numbers reported in Schedule P to not reconcile to other parts of the annual statement. For example, a 0% pool participant will show nothing in Schedule P but could have significant direct business in the Underwriting and Investment Exhibit.

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

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EXHIBIT A

POOLED BUSINESS – SCHEDULE P REPORTING EXAMPLE

This example has been prepared as a clarification of the NAIC *Annual Statement Instructions* to demonstrate how business subject to pooling among affiliated companies should be incorporated in the “Direct + Assumed” and the “Ceded” columns of Schedule P for each affiliated company.

- Company A – The lead company; does the pooling and cedes some business before pooling.
- Company B – Cedes some pool business before ceding to Company A for pooling.
- Company C – Cedes business after pooling.
- Company D – Cedes nothing except to the pool.

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Sample Situation

	<u>Company A</u>	<u>Company B</u>	<u>Company C</u>	<u>Company D</u>	<u>Total</u>
<u>Pool Business:</u>					
1. Direct & Assumed (a)	90,000	15,000	10,000	5,000	120,000
2. Pool Assembly Assumed (Ceded)	25,000	(10,000)	(10,000)	(5,000)	-
3. (Ceded) Before Pooling Dist. (a)	<u>(15,000)</u> (c)	<u>(5,000)</u> (b)	-	-	<u>(20,000)</u>
4. Net Before Pooling Dist.	100,000	-	-	-	100,000
5. Pooling Dist. Assumed (Ceded)	<u>(25,000)</u>	<u>15,000</u>	<u>7,000</u>	<u>3,000</u>	-
6. Net Retained – Amount	75,000	15,000	7,000	3,000	100,000
– Percent Specified	75%	15%	7%	3%	100%
<u>Non-Pool Business:</u>					
7. Direct & Assumed (e)	5,000	4,000	-	-	9,000
8. (Ceded)	<u>(2,000)</u> (e)	<u>(1,000)</u> (e)	<u>(5,000)</u> (d)	-	<u>(8,000)</u>
9. Net	3,000	3,000	(5,000)	-	1,000
<u>Total Business:</u>					
10. Direct & Assumed Before Pooling	95,000	19,000	10,000	5,000	129,000
11. Pool Assembly Assumed (Ceded)	25,000	(10,000)	(10,000)	(5,000)	-
12. (Ceded) Other Than Pooling	(17,000)	(6,000)	(5,000)	-	(28,000)
13. Pooling Dist. Assumed (Ceded)	<u>(25,000)</u>	<u>15,000</u>	<u>7,000</u>	<u>3,000</u>	-
14. Net	<u>78,000</u>	<u>18,000</u>	<u>2,000</u>	<u>3,000</u>	<u>101,000</u>

- (a) Business which, if retained, would be pooled
- (b) Ceded before pool assembly in Line 2
- (c) Ceded before pooling distribution in Line 5, before and/or after pool assembly in Line 2
- (d) Ceded after pooling distribution in Line 5
- (e) Business which, if retained, would not be pooled

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Schedule P Reporting

Reporting Principle for Intercompany Pool Business – Each company reports its share/percent of the total pooled “Direct + Assumed” and the total pooled “Ceded” business respectively.

<u>Direct + Assumed</u>						
15.	Pool % of Line 1, Total Col.	90,000	18,000	8,400	3,600	120,000
16.	Non-Pooled (Line 7)	<u>5,000</u>	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>9,000</u>
17.	Total	95,000	22,000	8,400	3,600	129,000
<u>(Ceded)</u>						
18.	Pool % of Line 3, Total Col.	(15,000)	(3,000)	(1,400)	(600)	(20,000)
19.	Non-Pooled (Line 8)	<u>(2,000)</u>	<u>(1,000)</u>	<u>(5,000)</u>	<u>-</u>	<u>(8,000)</u>
20.	Total	<u>(17,000)</u>	<u>(4,000)</u>	<u>(6,400)</u>	<u>(600)</u>	<u>(28,000)</u>
21.	Total Net	78,000	18,000	2,000	3,000	101,000

SCHEDULE P – PART 1

1. Premiums earned, losses incurred, and loss adjustment expenses incurred should reconcile with the Statement of Income page. Part 1 – Summary is the total of the Schedule P lines.
2. The columnar headings provide instructions necessary for completion.
 - a. “Assumed” means reinsurance assumed, including from intercompany pooling agreements, but excluding any nonproportional reinsurance assumed reported as a separate line and reported accordingly.
 - b. “Direct” means as directly written, but not if part of an intercompany pooling agreement.
 - c. “Ceded” means reinsurance ceded on business so reported as direct or assumed.
3. The number of claims reported is to be cumulative by incurred year. The number of claims reported in each incurred year is equal to the number of open claims at the end of the current year plus cumulative claims closed with or without payment in current and previous calendar years, possibly with adjustments for reopened claims.
4. If the company changes its method of counting claims, the new method should be disclosed in Schedule P Interrogatories, Interrogatory 7.
5. Number of Claims Reported, Column 12, applies to Auto Liability (commercial and private passenger), Workers’ Compensation, Medical Professional Liability, Homeowners/Farmowners Multiple Peril, Commercial Multiple Peril, Other Liability, Products Liability, Auto Physical Damage and Warranty only. This column may be left blank in all other lines, including the Summary. Reported claim counts are not shown for lines combining different types of coverage, such as Special Liability, Special Property, International, and Nonproportional Assumed Reinsurance. For each year, this Column should include the cumulative number of claims reported through the annual statement date for business subject to intercompany pooling and business not subject to intercompany pooling.
6. Number of Claims Outstanding, Column 25, must be reported for all lines, except Nonproportional Assumed Reinsurance – Property, Liability and Financial Lines.
7. For nonproportional reinsurance, there is no simple way to determine the number of claims ceded or assumed, since the percentage of a claim that is ceded depends on the size of the claim. For this reason, ceded and net claim counts are not shown for any line of business, and assumed claim counts are not shown for nonproportional reinsurance.
8. For reporting entities reporting on a pooling basis, the pooling percentage should be applied to claim count as well as dollar amounts for the business subject to intercompany pooling. Indicate in the Interrogatories whether claim count information is reported per claim or per claimant.
9. Cumulative salvage and subrogation received and losses and loss adjustment expenses paid should be reported for each specified incurred year.
10. In Schedule P, Part 1, salvage and subrogation received should be reported net of reinsurance, if any. Loss and loss adjustment expense payments are to be reported net of salvage and subrogation received in Schedule P.
11. The workpapers that show a reconciliation explaining reinsurance, discounting, and salvage and subrogation adjustments should be available for examination on request.
12. The loss adjustment expenses from the Underwriting and Investment Exhibit, Part 3, are separated into one of two categories: DCC or A&O.
13. DCC expenses include defense, litigation and medical cost containment expenses, whether internal or external. DCC include, but are not limited to, the following items:
 - a. Surveillance expenses;
 - b. Fixed amounts for medical cost containment expenses;
 - c. Litigation management expenses;

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- Commented [JL12]: Moved these paragraphs from the Parts 1A through 1U section since this applies to all parts of Part 1, including the Summary.
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- Deleted: 7. Report cumulative amounts paid or received for specific years.... ¶
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- Deleted: DCC expenses are those that are correlated with the loss amounts, and the A&O are as those expenses that are correlated with claim counts or are general loss adjustment expenses. ...In projecting the necessary reserves for these ¶ projecting the necessary reserves for these expenses, actuaries
- Deleted: In projecting the necessary reserves for these expenses, actuaries use a different approach for each of the two types of expenses. It is the character of the expenses that is most important, not whether the expenses were internal or external to the reporting entity.
- Commented [JL16]: Made edits in this and the next paragraph to bring the language into agreement with paragraph 6 of SSAP No. 55 in the March 2025 AP&P Manual.
- E.g., the SSAP did not used to have the “Adjustment expenses arising from claims related lawsuits such as extra contractual ...
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- d. Loss adjustment expenses for participation in voluntary and involuntary market pools if reported by accident year;
- e. Fees or salaries for appraisers, private investigators, hearing representatives, reinspectors and fraud investigators, if working in defense of a claim, and fees or salaries for rehabilitation nurses, if such cost is not included in losses;
- f. Attorney fees incurred owing to a duty to defend, even when other coverage does not exist; and
- g. The cost of engaging experts.

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14. A&O expenses are loss adjustment expenses other than DCC. These expenses include, but are not limited to, the following items:

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- a. Fees and expenses of adjusters and settling agents;
- b. Loss adjustment expenses for participation in voluntary and involuntary market pools if reported by calendar year;
- c. Attorney fees incurred in the determination of coverage, including litigation between the reporting entity and the policyholder;
- d. Fees or salaries for appraisers, private investigators, hearing representatives, reinspectors and fraud investigators, if working in the capacity of an adjuster; and
- e. Adjustment expenses arising from claims related lawsuits such as extra contractual obligations and bad faith lawsuits.

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15. The foregoing list is not intended to be all-inclusive. Reporting entities are to use reasonable judgment in particular situations.

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16. Reporting entities should assign the DCC expenses to the incurred year in which the associated losses were assigned. Reporting entities may assign the A&O expenses in any justifiable way among the incurred years. The preferred way is to apportion these expenses in proportion to the number of claims reported, closed, or outstanding each year.

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17. **Please Note:** This instruction is intended solely to give guidance on reporting loss adjustment expenses in Schedule P in the annual statement. It is not intended to provide guidance on the types of expenses to include in loss adjustment expenses. These definitions of DCC expense and A&O expense are not intended to affect insurance or reinsurance agreements or other contractual agreements.

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18. Column 24 is equal to Column 13 – Column 14 + Column 15 – Column 16 + Column 17 – Column 18 + Column 19 – Column 20 + Column 21 – Column 22.

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19. Column 28, "Net," equals Column 26 – Column 27, which equals Column 11 + Column 24.

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20. Columns 32 and 33 require reporting of the discount, if any, as included on any line in Page 3 on liabilities for unpaid losses and loss adjustment expenses, in regard to non-tabular losses and loss adjustment expenses. (See definition of tabular reserves under Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses in the instructions for the Notes to Financial Statements.) Columns 35 and 36 are the Column 24 unpaid losses and loss adjustment expenses net of the discount in Columns 32 and 33. Columns 35 and 36 must be completed and should agree with net balance sheet reserves after discount. If the reporting entity participates in an intercompany pool and reports on a pooling basis, then the percentage of that pool reported herein should be entered in Column 34. If some of the business is pooled and some is not, leave Column 34 blank and explain in Interrogatory 7.2 of the Schedule P Interrogatories.

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21. Report in Column 23 the estimated amount of anticipated salvage and subrogation that has been taken as credit (netted) in the reserves for unpaid losses and loss adjustment expenses reported in Column 24. (Note: Column 23 is a memo column only as the amounts contained therein have already been taken into consideration in Columns 13 through 20.)

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22. The definitions of the named lines are the same as used on the state page.

23. All proportional reinsurance must be allocated to appropriate lines.

24. As used in this instruction “nonproportional reinsurance” means reinsurance in excess of retention by the ceding company, and “proportional reinsurance” means fixed percentage of all losses.

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25. For contracts that afford both proportional and nonproportional reinsurance, allocate premiums and losses to their component parts.

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26. In the prior row for losses and loss adjustment expenses paid and salvage and subrogation received (columns 4 through 10), report only losses and loss adjustment expenses paid and salvage and subrogation received in the current calendar year for all incurred years prior to the most recent ten years.

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27. Column 4 - 5 + 6 - 7 in the prior row equals column 10 - 9 in the Part 3 prior row.

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28. The unpaid losses and loss adjustment expenses on the prior row are the unpaid losses and loss adjustment expenses as of the annual statement date for all incurred years prior to the most recent ten years.

29. The prior row should show the number of claims outstanding in the Summary and for all lines except Nonproportional Assumed Reinsurance – Property, Liability and Financial Lines. This row equals the number of claims outstanding as of the annual statement date for all incurred years prior to the most recent ten years.

30. There is no reporting required on the prior row for earned premiums, incurred loss and loss adjustment expenses, loss and loss adjustment expense percentages, number of claims reported, or the intercompany pooling participation percentages.

Commented [JL20]: No changes are intended with these added instructions. These instructions describe what is reported on the prior rows. The industry has asked for the instructions to include more information on the prior rows.

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SCHEDULE P – PARTS 1H and 1R

1. "Claims-made Earned Premiums" shall include earned premiums arising from any policy where the predominant exposure is claims-made, but "Claims-made Earned Premiums" shall not include "Tail Earned Premiums."
2. "Occurrence Earned Premiums" are all premiums which are not claims-made.
3. "Tail Earned Premiums" applicable to a claims-made insurance program are to be included in the occurrence Part for the respective line.
4. The following rules apply to accounting for claims-made losses:
 - a. The "incurred" date shall be the report date for losses attributable to claims-made (but not "tail" forms).
 - b. Losses shall be booked to the report year that is consistent with the report year definition contained in the policy.
5. The rule for accounting for losses incurred on tail policies is that such losses must be assigned to the year in which the policy was issued and are to be included in the Occurrence Part for the respective line.

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11. In Column 28, "Net," the amount should equal Column 26 – Column 27, which equals Column 11 + Column 24.

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SCHEDULE P – PARTS 2, 3, AND 4

1. Schedule P, Part 2 provides a summary of the loss and DCC expense values over time and may be used to review the adequacy of the reporting entity's reserves. Schedule P, Part 3 shows the payment patterns for cash flow projections, discounting calculations, and actuarial projections. Schedule P, Part 4 is an exhibit showing the historical bulk and IBNR reserves as reported.

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2. Schedule P, Parts 2, 3 and 4 have parallel formats and are the basic exhibits for actuarial and financial analyses. The same Line Titles that applied to Schedule P, Part 1 also apply to Parts 2, 3 and 4.

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a. All dollar amounts in Schedule P, Parts 2, 3, and 4 are reported net of reinsurance. Claim count information in Part 3 should be on a direct and assumed basis.

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b. Parts 2 and 3 show cumulative amounts by incurred year.

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c. All amounts are to be reported net of salvage and subrogation paid and anticipated.

d. All amounts in Parts 2 and 4 must be reported gross of both tabular and non-tabular discounting.

e. In Part 2, the "Development" in Column 11 and 12 should be the current year less the first previous year (for 1-year development) or second previous year (for 2-year development), showing the (redundant) or adverse development.

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Part 3 Claim Counts:

3. The claim counts in Columns 11 and 12 of Part 3 should be reported for Auto Liability (commercial and private passenger), Workers' Compensation, Medical Professional Liability, Homeowners/Farmowners Multiple Peril, Commercial Multiple Peril, Other Liability, Products Liability, Auto Physical Damage and Warranty only.

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Loss Adjustment Expenses:

4. The triangles include only the DCC expenses. The reason for this is that DCC expenses correlate with loss amounts, but the A&O expenses do not.

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Bulk and IBNR Reserves:

5. The bulk and IBNR reserves for losses and DCC expenses in Part 4 are intended to include reserves for incurred but not reported claims, reopened claims, development on case reserves of reported claims, and aggregate reserves on newly reported claims without specific case reserves. The bulk and IBNR reserves in Part 4 are included in the losses unpaid and DCC expenses unpaid reported in Schedule P, Parts 1 and 2. The bulk and IBNR reserves do not include case reserves established on individual claims.

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7. Part 2, Line 1, Column 1, should show the loss and DCC expense reserves (case + bulk + IBNR) as of December 31 of the year in the column heading for all incurred years prior to the year in the column heading. For example, if the year in Column 1 is 20XX, Line 1 of Column 1 should show the loss and DCC expense reserves as of December 31, 20XX for incurred years 20XX-1 and prior.

The subsequent development each year across Line 1 relates to these reserves. For example, Column 2 of Line 1 shows the loss and DCC expense payments in calendar year 20XX+1 on incurred years 20XX-1 and prior plus the reserves (case + bulk + IBNR) as of year-end 20XX+1 on incurred years 20XX-1 and prior. Column 3 shows the payments in calendar years

20XX+1 and 20XX+2 on incurred years 20XX-1 and prior plus the reserves (case + bulk + IBNR) as of year-end 20XX+2 on incurred years 20XX-1 and prior.

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This example shows how to calculate the Part 2, Line 1, Column 1 value for the 2024 annual statement. This calculation uses information from Parts 2 through 4 of the 2023 annual statement.

Annual Statement for the Year 2023 of the XYZ Insurance Company
Schedule P – Part 2

Incurred Net Losses and Defense and Cost Containment Expenses Reported at Year End (\$000 Omitted)

Years in Which Losses Were Incurred	1 2014	2 2015	3 2016	4 2017	5 2018	6 2019	7 2020	8 2021	9 2022	10 2023
1. Prior		830,000								
2. 2014		430,000								

Annual Statement for the Year 2023 of the XYZ Insurance Company
Schedule P – Part 3

Cumulative Paid Net Losses and Defense and Cost Containment Expenses Reported at Year End (\$000 Omitted)

Years in Which Losses Were Incurred	1 2014	2 2015	3 2016	4 2017	5 2018	6 2019	7 2020	8 2021	9 2022	10 2023
1. Prior		180,000								
2. 2014		150,000								

Annual Statement for the Year 2023 of the XYZ Insurance Company
Schedule P – Part 4

Bulk and IBNR Reserves on Net Losses and Defense and Cost Containment Expenses Reported at Year End (\$000 Omitted)

Years in Which Losses Were Incurred	1 2014	2 2015	3 2016	4 2017	5 2018	6 2019	7 2020	8 2021	9 2022	10 2023
1. Prior		420,000								
2. 2014		210,000								

Annual Statement for the Year 2024 of the XYZ Insurance Company
Schedule P – Part 2

Incurred Net Losses and Defense and Cost Containment Expenses Reported at Year End (\$000 Omitted)

Years in Which Losses Were Incurred	1 2015	2 2016	3 2017	4 2018	5 2019	6 2020	7 2021	8 2022	9 2023	10 2024
1. Prior	930,000									
2. 2015										

Case reserves on net losses and DCC expenses for incurred years 2014 and prior as of 12/31/15:
830,000 + 430,000 – (180,000 + 150,000) – (420,000 + 210,000) = 300,000

Bulk and IBNR reserves on net losses and DCC expenses for incurred years 2014 and prior as of 12/31/15:
420,000 + 210,000 = 630,000

Case and bulk and IBNR reserves on net losses and DCC expenses for incurred years 2014 and prior as of 12/31/15:
300,000 + 630,000 = 930,000

The Part 2, Line 1, Column 1 value in the current year's annual statement (930,000) equals:
 Part 2, Line 1, Column 2 in the prior year's annual statement (830,000)
 + Part 2, Line 2, Column 2 in the prior year's annual statement (430,000)
 - Part 3, Line 1, Column 2 in the prior year's annual statement (180,000)
 - Part 3, Line 2, Column 2 in the prior year's annual statement (150,000).

Commented [JL32]: Added this based on a recommendation in the Gain Compliance/AXA XL letter to Blanks dated 1/19/24.

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8. In Part 3, Line 1, Column 1, the amount entered should always be zero.* In Line 1, Column 2, the amount should be the loss and DCC expense payments made in that calendar year on the reserves reported in Part 2, Line 1, Column 1. (These payments are also included in Part 2, Line 1, Column 2.) For example, if the year in Column 1 is 20XX, Column 2 of Line 1 shows the loss and DCC expense payments in calendar year 20XX+1 on incurred years 20XX-1 and prior. Column 3 shows the payments in calendar years 20XX+1 and 20XX+2 on incurred years 20XX-1 and prior. (These payments are also included in Part 2, Line 1, Column 3.) Columns 4 through 10 should continue to cumulate the payments in the same way and tie into the Part 2 "prior" row.

**Line 1 only shows payments made subsequent to the establishment of reserves as of the earliest evaluation date in the table. For example, in the 2024 annual statement, the earliest evaluation date is year-end 2015, and Part 3 only shows payments made subsequent to the establishment of reserves as of year-end 2015. This explains why the amount in Line 1, Column 1 of Part 3 has to be zero, since there can be no payments made in 2015 subsequent to the establishment of reserves as of year-end 2015.*

9. Part 4, Line 1 shows the bulk and IBNR reserves at each year-end (using the year in the column heading) for all incurred years prior to the most recent 10. For example, if the year in Column 1 is 20XX, Line 1 of Column 1 should show the loss and DCC expense bulk and IBNR reserves as of December 31, 20XX for incurred years 20XX-1 and prior.

SCHEDULE P – PART 5

1. Part 5, Section 1 shows the cumulative number of claims closed with loss payment. Column 10 of Part 5, Section 1 ties to Column 11 of Part 3, except for the values in the Prior Row. Lines 3 through 11 of Column 11 of Part 3 of the prior year's Schedule P tie to Lines 2 through 10 of Column 9 of Part 5, Section 1 of the current Schedule P. Similarly, Part 3 of older years' Schedule P maps to Columns 1 through 8 of the current year's Part 5, Section 1.

2. Part 5, Section 2 shows the number of claims outstanding as of the year-end in the column header. Column 10 of Part 5, Section 2 ties to Column 25 of Part 1. Lines 3 through 11 of Column 25 of Part 1 of the prior year's Schedule P tie to Lines 2 through 10 of Column 9 of Part 5, Section 2 of the current Schedule P. Similarly, Column 25 of Part 1 of older years' Schedule P maps to Columns 1 through 8 of the current year's Part 5, Section 2.

3. Part 5, Section 3 shows the cumulative number of claims reported. Column 10 of Part 5, Section 3 ties to Column 12 of Part 1, except for the Prior Row. Lines 3 through 11 of Column 12 of Part 1 of the prior year's Schedule P tie to Lines 2 through 10 of Column 9 of Part 5, Section 3 of the current Schedule P. Similarly, Part 1 of older years' Schedule P maps to Columns 1 through 8 of the current year's Part 5, Section 3.

4. All claim count information reported in Schedule P should be on a "direct and assumed" basis. "Direct and assumed" means direct business not subject to intercompany pooling, plus the company's proportionate share of the total number of pooled claims, plus assumed from other than the intercompany pool. Assumed claim counts on proportional reinsurance arrangements should use the same proportion as losses.

Prior Row:

5. In Section 1, the Prior Row should show the number of claims closed with loss payment in the calendar year corresponding to the column header for all incurred years prior to the most recent 10 years.

6. In Section 2, the Prior Row should show the number of claims outstanding as of the year-end in the column header for all incurred years prior to the most recent 10 years.

7. In Section 3, the Prior Row should show the number of claims reported in the calendar year corresponding to the column header for all incurred years prior to the most recent 10 years. Even though Schedule P, Part 1, Column 12, does not require prior row information, reporting entities should have this information available. If not, reasonable estimates should be made.

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Deleted: In Part 4, Row 1, Column 1, the amount entered should be the bulk and IBNR that was included in Part 2, Row 1, Column 1, (which should equal the case reserves plus the bulk and IBNR). In fact, the entire Row 1 should be the bulk and IBNR included in Part 2, Row 1....

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SCHEDULE P – PART 6

1. For Schedule P, Part 6, the premiums to be reported are exposure or coverage year cumulative earned premiums, recalculated each subsequent year to reflect audits, retrospective adjustments based on loss experience, accounting lags, etc. Mechanically, the written premium file would be restated and the earned premium calculation repeated each year. Premium adjustments for policy periods that cover more than one calendar year should be proportionately distributed between the calendar years covered by the policy period.

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For example [adapted from Feldblum’s “Completing and Using Schedule P,” eighth edition, June 2003], suppose that a retrospectively rated workers’ compensation policy is issued on October 1, 2013, for a one-year term and \$10,000 premium. On December 15, 2014, the payroll audit calls for an additional \$1,000 of premium. On July 1, 2015, the first retrospective adjustment calls for no additional or return premium. On July 1, 2016, the second retrospective adjustment calls for an additional premium of \$5,500. Part 6 for this policy, through December 31, 2016, would be completed as follows:

Commented [JL38]: I always have to remind myself what’s in Part 6 so I thought an example might help me and others.

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Annual Statement for the Year 2022 of the XYZ Insurance Company
Schedule P – Part 6
Cumulative Premiums Earned Direct and Assumed at Year End

<u>Years in Which Premiums Were Earned and Losses Were Incurred</u>	<u>1</u> <u>2013</u>	<u>2</u> <u>2014</u>	<u>3</u> <u>2015</u>	<u>4</u> <u>2016</u>	<u>...</u>
<u>1. Prior</u>					
<u>2. 2013</u>	<u>2,500</u>	<u>2,750</u>	<u>2,750</u>	<u>4,125</u>	
<u>3. 2014</u>		<u>8,250</u>	<u>8,250</u>	<u>12,375</u>	
<u>...</u>					
<u>13. Earned Premiums (Sch P-Pt. 1)</u>	<u>2,500</u>	<u>8,500</u>	<u>0</u>	<u>5,500</u>	

- At December 31, 2013, the exposure year 2013 earned premium is \$2,500 (= \$10,000 x 0.25).
- At September 30, 2014, the exposure year 2013 earned premium is \$2,500, and the exposure year 2014 earned premium is \$7,500 (= \$10,000 x 0.75).
- The payroll audit is distributed over the policy term, so on December 31, 2014, the exposure year 2013 earned premium is \$2,750 (= \$2,500 + 0.25 x \$1,000) and the exposure year 2014 earned premium is \$8,250 (= \$7,500 + 0.75 x \$1,000).
- The retrospective premiums are allocated to exposure years in proportion to the coverage period. At December 31, 2016, the exposure year 2013 earned premium is \$4,125 (= \$2,750 + 0.25 x \$5,500) and the exposure year 2014 earned premium is \$12,375 (= \$8,250 + 0.75 x \$5,500).

2. The objective is to develop earned premiums by exposure year of coverage consistent with the loss and DCC expense by incurred year. The difference between Sections 1 and 2 should equal the total net earned premiums.
3. A further objective is to determine a more accurate loss and DCC expense ratio and to be able to project the earned but unbilled premiums, which may be an asset or liability. The reporting entity may use any method to recalculate the premiums which will achieve this objective.
4. Column 11 is for informational purposes and shows the distribution of premiums earned during the current year. Premiums as reported in Schedule P, Part 1, Columns 1 or 2, are also shown at the bottom of the exhibit to demonstrate the relationship and to show how Part 6 reconciles with Part 1.
5. The layout of Sections 1 and 2 is the same. Section 1 shows direct and assumed premiums, while Section 2 shows ceded.
6. NOTE: Purchased tail coverage policies are issued in the year that the coverage is effective. Free extended tail coverage is issued in the year the coverage is triggered.

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Commented [JL39]: Isn’t it by exposure year of coverage? The rows in Part 6 are exposure years. And this is what makes the premiums in Part 6 more analogous to the incurred year losses. (Exposure year premium is allocated to year based on the exposures in each year, just like incurred year losses are allocated to year based on the accidents in each year.)

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Commented [JL40]: No longer necessary to state. Part 6 shows ten years of data, plus a “prior” row.

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Prior Row:

7. The Prior Row should show the incremental earned premium adjustment in the calendar year corresponding to the column header for all incurred years prior to the most recent 10 years. For Columns 1 through 9, the value in Row 1 for the column corresponding to year 20XX can be determined from the previous year's Schedule P, Part 6 as the sum of Rows 1 and 2 for the column corresponding to year 20XX minus Row 2 for the column corresponding to year 20XX-1.

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Commented [JL43]: I tried to state this in a clearer way.

Deleted: prior experience years (columns), Row 1 for a particular year of experience (x) can be determined from the prior year's Schedule P, Part 6, as the sum of Rows 1 plus 2 for experience year (x) (column) minus Row 2 for the preceding year (x-1)...

SCHEDULE P – PART 7

1. Only the experience on contracts that meet the following definition should be included in Part 7.

Loss sensitive contracts shall meet the following criteria:

- a. Contracts where an increase in losses on a policy can cause an increase in net payment (by the insured) for that policy.
 - b. The amount of additional payment (by the insured) must be at least 75% (50% for reinsurance contracts) of the additional losses, before application of aggregate and per accident/claimant limits or caps.
 - c. The net amount paid (by the insured) must also be able to differ by at least 20% (10% for reinsurance contracts), from highest to lowest possible charge in reaction to the loss experience.
 - d. The maximum possible payment by the insured should also be at least 15% (7.5% for reinsurance contracts) above what the insured would pay based on expected loss experience. In other words, the maximum charge should not approximate the expected charge.
 - e. The additional payment shall be in the form of additional premiums or additional commissions.
 - f. The additional losses and corresponding payments must flow through the income and balance sheets and cannot be “off-balance sheet.” For example, a deductible feature does not make a contract “loss sensitive” under this definition, as neither the losses under the deductible nor the reimbursements for these losses flow through the income statement.
2. Part 7 is only required of reporting entities who claim a reduction in their Risk-Based Capital for Loss Sensitive Contracts. Such reporting entities must complete the entire schedule in each year that they claim such credit.
 3. Part 7A provides experience on primary contracts. Part 7B provides experience on reinsurance contracts.

Section 1: Current Year Loss and LAE Reserves and Net Written Premium:

4. Column (1) should agree with the net loss and loss adjustment expense reserves (undiscounted) reported in the corresponding Part 1 of Schedule P.
5. Column (2) should reflect the corresponding values for Loss Sensitive Contracts only. Primary Loss Sensitive should include direct losses and expenses unpaid less reinsurance on those direct losses and expenses. Reinsurance Loss Sensitive should include unpaid assumed losses and expenses less any retrocessions on those losses and expenses.
6. Column (4) x 1000 should agree with the net written premiums reported in the Underwriting and Investment Exhibit.
7. Column (5) should reflect the corresponding premium for Loss Sensitive Contracts only. Primary Loss Sensitive should include direct premiums written on loss sensitive contracts less reinsurance on those direct premiums. Reinsurance Loss Sensitive should include assumed loss sensitive premiums less any retroceded premiums.
8. Columns (3) and (6) are ratios of (2) to (1) and (5) to (4), respectively. Express as percentages showing one decimal place (e.g., 24.2%).

Commented [JL44]: Net premiums written are not shown on the income statement but are shown on the UW&I Exhibit, Part 1.

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Sections 2 and 3: Loss Development:

9. In each row of Section 2 display the reported estimate of ultimate losses and DCC expense on all Loss Sensitive Contracts issued (i.e., with inception dates) in that year. Each reported estimate should be the estimate of cumulative ultimate loss and DCC expense as of the calendar year-end corresponding to the column header, not the incremental amounts incurred during each calendar year. The resulting data should display the reported estimate of ultimate losses and DCC expense on a policy year basis.

One reasonability benchmark that can be used to verify that the data is presented on a policy year basis is to compare the magnitude of an issue year's ultimate loss and DCC expense estimates as of twelve months and as of twenty-four months. The valuation as of twenty-four months should be approximately twice as great as the valuation as of twelve months. (For example, the Issue Year 2004 estimate of ultimate losses and DCC expense at year-end 2005 should be approximately twice as great as the estimate of Issue Year 2004 ultimate losses and DCC expense at year-end 2004.) This reasonability benchmark assumes roughly even policy writings throughout the year. If a company's writings are proportionately greater in the first half of the year than the second half of the year, the valuation as of twelve months can reasonably be expected to be greater than 50% of the twenty-four-month valuation.

10. In each row of Section 3 show the bulk and IBNR reserves included in Section 2.

Sections 4 and 5: Premium Development:

11. In Section 4 of Schedule P for each year of issue, display the net earned premiums reported as of the calendar year-end corresponding to the column header. Each reported estimate should be the estimate of cumulative net earned premium as of each year-end, not the incremental amounts earned during each calendar year. The resulting data should display the reported estimate of net earned premium on a policy year basis.

One reasonability benchmark that can be used to verify that the data is presented on a policy year basis is to compare the magnitude of an issue year's net earned premium as of twelve months and as of twenty-four months. The valuation as of twenty-four months should be approximately twice as great as the valuation as of twelve months. This reasonability benchmark assumes roughly even policy writings throughout the year. If a company's writings are proportionately greater in the first half of the year than the second half of the year, the valuation as of twelve months can reasonably be expected to be greater than 50% of the twenty-four-month valuation.

A second reasonability benchmark that can be used to verify the data presentation is to examine the ratio of Section 2 incurred loss and allocated expenses to Section 4 net earned premiums. The ratio of incurred losses to net earned premiums should all be similar at each valuation date. If Section 2 data is not on a policy year basis, but Section 4 is, or vice versa, the ratios as of twelve months will look very different than the ratios as of twenty-four months.

12. In Section 5 show separately any bulk assets or liabilities for future additional premiums or return of premiums included in the earned premium in Section 4. An entry denoting the expectation of future additional premiums should be displayed as a positive value. An entry denoting the expectation of future return premiums should be displayed as a negative value.

13. (Part 7B only): Loss Sensitive Reinsurance Contracts must be segmented between those on which premium is the adjustable element, and those on which commissions paid to the cedant are adjustable with losses. The premium development schedule (Sections 4 and 5, Part 7B) should only include the experience of contracts with a variable premium.

Sections 6 and 7 (Part 7B only): Commission Development:

14. For all reinsurance contracts where the commission paid to the cedant varies with losses, display the development of that commission in Section 6 and display any assets or liabilities accrued in respect of the commission in Section 7. An entry denoting the expectation of future additional commissions to be paid should be displayed as a negative value. An entry denoting the expectation of future return commissions should be displayed as a positive value.

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Prior Row:

- 15. The "Prior" row in Sections 2 and 3 should display the reported estimate of ultimate losses and DCC expense on a policy year basis for all policy years ten or more years older than the current policy year.
- 16. The "Prior" row in Sections 4 and 5 should display the reported estimate of net earned premium on a policy year basis for all policy years ten or more years older than the current policy year.

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Formulas for Schedule P, Parts 2-4

Schedule P – Part 2 – Incurred Net Losses and Defense and Cost Containment Reported at Year-End

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Prior	Case + Bulk + IBNR rsvs on <2016 @ Ye 2016	paid in 2017 + rsvs on < 2016 @ ye 2017	paid 2017 thru 2018 + rsvs on < 2016 @ ye 2018	paid 2017 thru 2019 + rsvs on < 2016 @ ye 2019	paid 2017 thru 2020 + rsvs on < 2016 @ ye 2020	paid 2017 thru 2021 + rsvs on < 2016 @ ye 2021	paid 2017 thru 2022 + rsvs on < 2016 @ ye 2022	paid 2017 thru 2023 + rsvs on < 2016 @ ye 2023	paid 2017 thru 2024 + rsvs on < 2016 @ ye 2024	paid 2017 thru 2025 + rsvs on < 2016 @ ye 2025
2016	paid in 2016 + rsvs on 2016 @ ye 2016	paid thru 2017 + rsvs on 2016 @ ye 2017	paid thru 2018 + rsvs on 2016 @ ye 2018	paid thru 2019 + rsvs on 2016 @ ye 2019	paid thru 2020 + rsvs on 2016 @ ye 2020	paid thru 2021 + rsvs on 2016 @ ye 2021	paid thru 2022 + rsvs on 2016 @ ye 2022	paid thru 2023 + rsvs on 2016 @ ye 2023	paid thru 2024 + rsvs on 2016 @ ye 2024	paid thru 2025 + rsvs on 2016 @ ye 2025
2017		paid in 2017 + rsvs on 2017 @ ye 2017	paid thru 2018 + rsvs on 2017 @ ye 2018	paid thru 2019 + rsvs on 2017 @ ye 2019	paid thru 2020 + rsvs on 2017 @ ye 2020	paid thru 2021 + rsvs on 2017 @ ye 2021	paid thru 2022 + rsvs on 2017 @ ye 2022	paid thru 2023 + rsvs on 2017 @ ye 2023	paid thru 2024 + rsvs on 2017 @ ye 2024	paid thru 2025 + rsvs on 2017 @ ye 2025
2018			paid in 2018 + rsvs on 2018 @ ye 2018	paid thru 2019 + rsvs on 2018 @ ye 2019	paid thru 2020 + rsvs on 2018 @ ye 2020	paid thru 2021 + rsvs on 2018 @ ye 2021	paid thru 2022 + rsvs on 2018 @ ye 2022	paid thru 2023 + rsvs on 2018 @ ye 2023	paid thru 2024 + rsvs on 2018 @ ye 2024	paid thru 2025 + rsvs on 2018 @ ye 2025
2019				paid in 2019 + rsvs on 2019 @ ye 2019	paid thru 2020 + rsvs on 2019 @ ye 2020	paid thru 2021 + rsvs on 2019 @ ye 2021	paid thru 2022 + rsvs on 2019 @ ye 2022	paid thru 2023 + rsvs on 2019 @ ye 2023	paid thru 2024 + rsvs on 2019 @ ye 2024	paid thru 2025 + rsvs on 2019 @ ye 2025
2020					paid in 2020 + rsvs on 2020 @ ye 2020	paid thru 2021 + rsvs on 2020 @ ye 2021	paid thru 2022 + rsvs on 2020 @ ye 2022	paid thru 2023 + rsvs on 2020 @ ye 2023	paid thru 2024 + rsvs on 2020 @ ye 2024	paid thru 2025 + rsvs on 2020 @ ye 2025
2021						paid in 2021 + rsvs on 2021 @ ye 2021	paid thru 2022 + rsvs on 2021 @ ye 2022	paid thru 2023 + rsvs on 2021 @ ye 2023	paid thru 2024 + rsvs on 2021 @ ye 2024	paid thru 2025 + rsvs on 2021 @ ye 2025
2022							paid in 2022 + rsvs on 2022 @ ye 2022	paid thru 2023 + rsvs on 2022 @ ye 2023	paid thru 2024 + rsvs on 2022 @ ye 2024	paid thru 2025 + rsvs on 2022 @ ye 2025
2023								paid in 2023 + rsvs on 2023 @ ye 2023	paid thru 2024 + rsvs on 2023 @ ye 2024	paid thru 2025 + rsvs on 2023 @ ye 2025
2024									paid in 2024 + rsvs on 2024 @ ye 2024	paid thru 2025 + rsvs on 2024 @ ye 2025
2025										paid in 2025 + rsvs on 2025 @ ye 2025

Notes Figures are net of reinsurance, subrogation, and salvage.

Reserves Only. Subsequent development relates only to subsequent payments and reserves.
 From Part 1: Column 11 - (Column 8 - Column 9) + Column 24 - (Column 21 - Column 22), plus any tabular discount netted from the loss reserves in Column 24

Commented [JL45]: Part 2 is gross of tabular discount whereas Part 1 is net.

Schedule P-- Part 3 – Cumulative Paid Net Losses and Defense and Cost Containment Expenses Reported at Year-End

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
Prior	000	paid in 2017 thru 2018 on < 2016*	paid 2017 thru 2018 on < 2016	paid 2017 thru 2019 on < 2016	paid 2017 thru 2020 on < 2016	paid 2017 thru 2021 on < 2016	paid 2017 thru 2022 on < 2016	paid 2017 thru 2023 on < 2016	paid 2017 thru 2024 on < 2016	paid 2017 thru 2025 on < 2016		
2016	paid in 2016 on 2016	paid thru 2017 on 2016	paid thru 2018 on 2016	paid thru 2019 on 2016	paid thru 2020 on 2016	paid thru 2021 on 2016	paid thru 2022 on 2016	paid thru 2023 on 2016	paid thru 2024 on 2016	paid thru 2025 on 2016		
2017		paid in 2017 on 2017	paid thru 2018 on 2017	paid thru 2019 on 2017	paid thru 2020 on 2017	paid thru 2021 on 2017	paid thru 2022 on 2017	paid thru 2023 on 2017	paid thru 2024 on 2017	paid thru 2025 on 2017		
2018			paid in 2018 on 2018	paid thru 2019 on 2018	paid thru 2020 on 2018	paid thru 2021 on 2018	paid thru 2022 on 2018	paid thru 2023 on 2018	paid thru 2024 on 2018	paid thru 2025 on 2018		
2019				paid in 2019 on 2019	paid thru 2020 on 2019	paid thru 2021 on 2019	paid thru 2022 on 2019	paid thru 2023 on 2019	paid thru 2024 on 2019	paid thru 2025 on 2019		
2020					paid in 2020 on 2020	paid thru 2021 on 2020	paid thru 2022 on 2020	paid thru 2023 on 2020	paid thru 2024 on 2020	paid thru 2025 on 2020		
2021						paid in 2021 on 2021	paid thru 2022 on 2021	paid thru 2023 on 2021	paid thru 2024 on 2021	paid thru 2025 on 2021		
2022							paid in 2022 on 2022	paid thru 2023 on 2022	paid thru 2024 on 2022	paid thru 2025 on 2022		
2023								paid in 2023 on 2023	paid thru 2024 on 2023	paid thru 2025 on 2023		
2024									paid in 2024 on 2024	paid thru 2025 on 2024		
2025										paid in 2025 on 2025		

Notes: Figures are net of reinsurance.
 Figures are net of salvage and subrogation received.
 * "on < 2016" here means "on net loss and DCC expense reserves established by the company as of 12/31/16 for incurred years prior to 2016"

From Part 1: Column 4 - Column 5 + Column 6 - Column 7
 (or Column 11 - (Column 8 - Column 9))

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Earned Premium Development for Schedule P, Part 6

Example

Rows 1 and 2 of the 2023 Part 6 are shown because these rows can be used to calculate Row 1 of the 2024 Part 6.

Annual Statement for the Year 2023 of the XYZ Insurance Company
Schedule P – Part 6
Cumulative Premiums Earned Direct and Assumed at Year End

Year in Which Premiums Were Earned and Losses Were Incurred	CUMULATIVE PREMIUMS EARNED DIRECT AND ASSUMED AT YEAR END (\$000 OMITTED)										Current Year Premiums Earned
	1	2	3	4	5	6	7	8	9	10	
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
1. Prior	9,900	1,900	1,200	(1,500)	(2,400)	2,100	(300)	(1,100)	0	0	0
2. 2014	112,000	121,000	126,100	126,600	126,000	127,500	126,300	124,500	124,500	124,400	(100)

Annual Statement for the Year 2024 of the XYZ Insurance Company
Schedule P – Part 6
Cumulative Premiums Earned Direct and Assumed at Year End

Year in Which Premiums Were Earned and Losses Were Incurred	CUMULATIVE PREMIUMS EARNED DIRECT AND ASSUMED AT YEAR END (\$000 OMITTED)										Current Year Premiums Earned
	1	2	3	4	5	6	7	8	9	10	
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	
1. Prior	10,900	6,300	(1,000)	(3,000)	3,600	(1,500)	(2,900)	0	(100)	0	0
2. 2015	130,000	139,000	146,000	146,000	146,000	144,000	142,000	142,000	143,000	143,000	0
3. 2016		164,000	181,000	187,000	187,000	186,000	185,000	182,000	182,000	182,000	0
4. 2017			213,000	234,000	239,000	241,000	240,000	235,000	233,000	233,000	0
5. 2018				217,000	225,000	229,000	229,000	227,000	222,000	222,000	0
6. 2019					239,000	252,000	256,000	258,000	255,000	253,000	(2,000)
7. 2020						253,000	256,000	259,000	259,000	255,000	(4,000)
8. 2021							258,000	280,000	285,000	284,000	(1,000)
9. 2022								263,000	285,000	289,000	4,000
10. 2023									279,000	294,000	15,000
11. 2024										305,000	305,000
12. Total											317,000

Commented [JL48]: I added this exhibit to clarify the

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<u>13. Earned</u>	<u>140,900</u>	<u>179,300</u>	<u>236,000</u>	<u>241,000</u>	<u>255,600</u>	<u>267,500</u>	<u>258,100</u>	<u>280,000</u>	<u>296,900</u>	<u>317,000</u>	
<u>Premiums (Sch</u>											
<u>P-Pt. 1)</u>											

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Part 1 EP ...

March 18, 2026

Kris DeFrain, MAAA, FCAS, CPCU
Director of Research and Actuarial Services
National Association of Insurance Commissioners (NAIC) Central Office
(via email: kdefrain@naic.org)

RE: NAIC Property 2025 Schedule P -- Phase 2

Dear Ms. DeFrain,

Thank you for the opportunity to provide feedback regarding Phase 2 of the NAIC Property 2025 Schedule P.

APCIA¹ appreciates clarifications, improvements and corrections in the exposed document.

We believe **additional language** to the new point 11 would add further clarity: "The reserves reported are expected to represent the ultimate amounts to be paid, including anticipated inflation **for incurred losses**."

Please do not hesitate to contact me if there are any questions.

Thank you,



Norman Niemi, FCAS, MAAA, Affiliate IFoA
Vice President, Actuary, Policy, Research and International

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Cell: 202-880-4082

¹ The American Property Casualty Insurance Association (APCIA) is the primary national trade association for home, auto, and business insurers. APCIA promotes and protects the viability of private competition for the benefit of consumers and insurers, with a legacy dating back 150 years. APCIA represents the broadest cross-section of home, auto, and business insurers of any national trade association. APCIA membership consists of over 1,200 member companies (or over 300 member groups). APCIA member companies P&C countrywide market share is 66% (total 74% commercial lines, 60% personal lines).



March 26, 2026

D.J. Bettencourt, Chair
Angela L. Nelson, Vice Chair
Casualty Actuarial and Statistical (C) Task Force
National Association of Insurance Commissioners (NAIC)

Re: Schedule P Phase 2

Dear Chair Bettencourt and Vice Chair Nelson:

On behalf of the Casualty Practice Council's Committee on Property and Liability Financial Reporting (the Committee) of the American Academy of Actuaries,¹ I appreciate the opportunity to comment to the Casualty Actuarial and Statistical (C) Task Force regarding Schedule P Phase 2 exposed on February 10.² The Committee reviewed the exposure and offers the following comments as well as the enclosed suggested editorial edits that are intended generally to provide clarity to users or to promote consistency within the document and with other sections of the Property/Casualty Annual Statement Instructions. We would be happy to discuss any questions you may have related to our suggestions.

In addition to the enclosed suggested edits, we offer the following comments for your consideration:

1. We suggest that the terms "pooling" and "affiliated pooling" used throughout the Instructions be changed to "intercompany pooling" to align to *SSAP No. 63* and to clarify that the Schedule P Instructions that relate to pooling are exclusive to intercompany pooling, as opposed to voluntary or involuntary pooling, which are also discussed in *SSAP No. 63*.

Further, we suggest adding a clarifying comment that under these Instructions, intercompany pooling will cause the numbers reported in Schedule P not to reconcile to other parts of the Annual Statement. For example, a 0% pool participant will show nothing in Schedule P, but could have significant direct business in the Underwriting & Investment Exhibit.

Finally, Instruction #5 for Schedule P – Part 1 currently states "*For reporting entities reporting on a pooling basis, the pooling percentage should be applied to claim count as well as dollar amounts.*" We encourage the NAIC to clarify that this instruction only applies to pooled business (not to all business).

2. Instruction #9 for Schedule P states "*Schedule P, Part 1 should be gross of non-tabular discount and net of tabular discount.*" We believe this is only true through Column 31 of Part 1, as Columns 35 and 36 are net of all discount (per Instruction #16 for Schedule P – Part 1).

¹ The American Academy of Actuaries is a 20,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. For 60 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

² [Schedule P Phase 2](#), NAIC, February 2026

3. We suggest deleting Instruction #10 and Instruction #11 for Schedule P. These two instructions describe two important factors that management should consider in setting the reserves for unpaid losses and loss adjustment expenses, but the factors named within the Schedule P Instructions are not the only important considerations for management. *SSAP No. 55* provides more detailed and explicit requirements on how management should set reserves, and we believe the two items named in these Instructions do not add additional value.

If the Task Force elects to retain these Instructions, we suggest that a reference to *SSAP No. 55* be added, similar to the reference to *SSAP No. 65* in Instruction #9.

4. Instruction #1 for Schedule P – Part 1 states that amounts “*paid, unpaid, and incurred should reconcile with the Statement of Income page.*” We believe that the Statement of Income page only shows amounts incurred, and does not show amounts paid or unpaid.
5. Instruction #3 for Schedule P – Part 1 states “*The number of claims reported in each incurred year is equal to the number of open claims at the end of the current year plus cumulative claims closed with or without payment in current and previous calendar years.*” We believe that this statement could create confusion with respect to re-opened claims, as it could imply that re-opened claims should be double-counted (i.e., the claim was closed with or without payment in a previous calendar year and is currently open). We suggest clarifying this statement.
6. Instruction #5 for Schedule P – Part 1 limits the lines of business for which claim counts are reported. We suggest that the Task Force consider whether such information might be useful for other lines of business. In particular, given the responsibility of the Appointed Actuary to reconcile data used in the actuarial analysis to Schedule P, we note that the absence of claim counts for certain lines of business in Schedule P means that this reconciliation cannot be performed for those lines of business.
7. Instruction #5 for Schedule P – Part 1 states that reporting entities should “*Indicate in the Interrogatories whether claim count information is reported per claim or per claimant.*” We suggest that the Task Force consider whether other claim count metrics might be acceptable if appropriately disclosed in the Interrogatories, such as claim counts per feature.
8. Instruction #7 for Schedule P – Part 1 states “*Loss payments are to be reported net of salvage and subrogation received in Schedule P.*” While we acknowledge that salvage and subrogation commonly applies to loss payments, it is possible to subrogate loss adjustment expenses. We suggest clarifying how salvage and subrogation should be handled for loss adjustment expenses.
9. Instruction #7 for Schedule P – Part 1 states “*The workpapers that show a reconciliation explaining reinsurance, discounting, and salvage and subrogation adjustments should be available for examination on request.*” We have no comments on the phrasing of this Instruction but observe that it is broader than the other items covered in Instruction #7 and suggest that it be made a separate Instruction that stands on its own.
10. Instruction #8 for Schedule P – Part 1 states “*In projecting the necessary reserves for [DCC and A&O] expenses, actuaries use a different approach for each of the two types of expenses.*” We suggest that this sentence be deleted. In our experience, this statement is not always true, and we do not believe that it adds value to the Instructions.
11. Instruction #17 for Schedule P – Part 1 states “*Report in Column 23 the estimated amount of anticipated salvage and subrogation that has been taken as credit (netted) in the reserves for unpaid losses and loss adjustment expenses reported in Column 24.*” We observe that anticipated salvage and

subrogation is not always readily quantifiable if the actuarial analysis was performed on data that is net of salvage and subrogation. In such a case, the resulting estimate of unpaid loss and loss adjustment expense is inherently net of salvage and subrogation, but the amount was not quantified as part of the analysis. We suggest that the Task Force consider how reporting entities should populate Column 23 in this case.

12. Instructions #1 through #5 for Schedule P – Parts 1A Through 1U clarify how premiums and losses should be reported between claims-made and occurrence lines. However, we observe that only the Other Liability and Product Liability lines of business are segmented between claims-made and occurrence within Schedule P. Therefore, we suggest clarifying that these Instructions do not apply to Parts 1A through 1U, but only to Parts 1H and 1R.
13. Instruction #1 for Schedule P – Parts 2, 3, and 4 states that Part 2 “*provides a loss and expense development overview to test the adequacy of the reporting entity’s reserves.*” We believe that the term “test” may not be appropriate in this context as it could imply a standard against which the reserves are tested. We suggest that this sentence be changed to “*Schedule P, Part 2 provides a summary of the loss and DCC expense values over time to review the adequacy of the reporting entity’s reserves.*”

Further, this Instruction states that Part 4 “*does not show development of [bulk and IBNR] reserves.*” We observe that Part 4 does show the development of bulk and IBNR reserves over time and suggest that this sentence be deleted.

14. Instruction #4 for Schedule P – Parts 2, 3, and 4 states “*The Bulk and IBNR reserves in Part 4 are the actuarially determined reserves and are included in the losses unpaid and DCC expenses unpaid reported in Schedule P, Parts 1 and 2.*” We note that, per *SSAP No. 55*, the determination of the unpaid loss and DCC expenses, including the bulk and IBNR component, is the responsibility of entity management. While these reserves may be actuarially determined, it is not necessarily true that what is recorded in the financial statements was determined by an actuary, with input from an actuary, or using actuarial techniques. Therefore, we suggest that this sentence be changed to “*The Bulk and IBNR reserves in Part 4 are the reserves determined by management in accordance with SSAP No. 55 and are included in the losses unpaid and DCC expenses unpaid reported in Schedule P, Parts 1 and 2.*”
15. Instruction #4 for Schedule P – Part 5 states “*“Direct and assumed” means direct plus the proportion of a pool plus proportional reinsurance assumed.*” We believe that this sentence is incorrect and conflicts with the pooling guidance provided earlier in the document.
16. Instruction #1 for Schedule P – Part 6 refers to “*the written premium file.*” We suggest clarification as it is unclear to what file this phrase is referring.

The Committee looks forward to the continued collaborative dialogue with the NAIC as you continue your work on this project. If you have any questions or would like to discuss these comments further, please contact Rob Fischer, policy project manager, casualty (fischer@actuary.org, 202-785-7865).

Sincerely,

Michelle L. Iarkowski, MAAA, FCAS
Chairperson, Committee on Property and Liability Financial Reporting

SCHEDULE P

1. There are seven parts and the interrogatories within Schedule P. Part 1 provides detailed information on losses and loss adjustment expenses. Part 2 provides a history of incurred losses and defense & cost containment (DCC) expenses. Part 3 provides a history of loss and DCC payments. Part 4 provides a history of bulk and incurred but not reported (IBNR) reserves. Part 5 provides a history of claim counts. 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.
2. Earned premium is on a calendar year basis in Part 1, an exposure year basis in Part 6, and a policy year basis in Part 7. Except in Part 7, which shows policy year experience, 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). Hereafter, this is called the "incurred year."
3. Schedule P displays ten years of historical data for all lines of business.
4. Report all dollar amounts in Schedule P in thousands of dollars (\$000 omitted), by either rounding or truncating. Claim counts should be reported as whole numbers.
5. The lines of business in Schedule P are groupings of the lines of business used on the state page. In some cases, the heading of the line of business has been expanded for clarity. Business reported on the Aggregate write-ins for other lines of business line of the State Page should be included in the Other Liability sections of Schedule P.
6. 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.
7. 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.
8. 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 adjustment expense reserves and from its schedules and exhibits.
9. Schedule P, Part 1 should be gross of non-tabular discount and net of tabular discount. The other parts of Schedule P should be gross of all discounts so that the annual statement user can make effective use of the triangles in Parts 2, 3, and 4. 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 No. 65—Property and Casualty Contracts*.
10. 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.
11. The reserves reported are expected to represent the ultimate amounts to be paid, including anticipated inflation.
12. In those instances where a reporting entity files an amended annual statement as a result of a restatement of previous year earned premium, losses or loss adjustment expenses, Schedule P must be restated and included in the amended annual statement.

The Prior Row:

13. The "prior" row contains data for all incurred years prior to the most recent 10 years. The calculation of the prior row differs by Part and Section.

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SCHEDULE P – PART 1

1. Premiums earned, losses, and loss adjustment expenses paid, unpaid, and incurred should reconcile with the Statement of Income page. Part 1 – Summary is the total of the Schedule P lines.
2. The columnar headings provide instructions necessary for completion.
 - a. “Assumed” means reinsurance assumed, including from affiliated pooling agreements, but excluding any non-proportional reinsurance assumed reported as a separate line and reported accordingly.
 - b. “Direct” means as directly written, but not if part of an affiliated pooling agreement.
 - c. “Ceded” means reinsurance ceded on business so reported as direct or assumed.

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3. The number of claims reported is to be cumulative by incurred year. The number of claims reported in each incurred year is equal to the number of open claims at the end of the current year plus cumulative claims closed with or without payment in current and previous calendar years.
4. If the company changes its method of counting claims, the new method should be disclosed in Schedule P Interrogatories, Interrogatory 7.
5. Number of Claims Reported, Column 12, applies to Auto Liability (commercial and private passenger), Workers’ Compensation, Medical Professional Liability, Homeowners/Farmowners Multiple Peril, Commercial Multiple Peril, Other Liability, Products Liability Auto Physical Damage and Warranty only. This column may be left blank in all other lines, including the Summary. For each year, this Column should include the cumulative number of claims reported through the annual statement date for pooled and non-pooled business. Number of Claims Outstanding, Column 25, must be reported for all lines, except Non-proportional assumed reinsurance – Property, Liability and Financial Lines. For reporting entities reporting on a pooling basis, the pooling percentage should be applied to claim count as well as dollar amounts. Indicate in the Interrogatories whether claim count information is reported per claim or per claimant.
6. Cumulative salvage and subrogation received and losses and loss adjustment expenses paid should be reported for each specified incurred year.
7. In Schedule P, Part 1, salvage and subrogation received should be reported net of reinsurance, if any. Loss payments are to be reported net of salvage and subrogation received in Schedule P.

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The workpapers that show a reconciliation explaining reinsurance, discounting, and salvage and subrogation adjustments should be available for examination on request.

8. The loss adjustment expenses from the Underwriting and Investment Exhibit, Part 3, are separated into one of two categories: DCC or A&O. In projecting the necessary reserves for these expenses, actuaries use a different approach for each of the two types of expenses.
9. DCC expenses include defense, litigation and medical cost containment expenses, whether internal or external. DCC include, but are not limited to, the following items:
 - a. Surveillance expenses;
 - b. Fixed amounts for medical cost containment expenses;
 - c. Litigation management expenses;
 - d. Loss adjustment expenses for participation in voluntary and involuntary market pools if reported by accident year;
 - e. Fees or salaries for appraisers, private investigators, hearing representatives, reinspectors and fraud investigators, if working in defense of a claim, and fees or salaries for rehabilitation nurses, if such cost is not included in losses;
 - f. Attorney fees incurred owing to a duty to defend, even when other coverage does not exist; and
 - g. The cost of engaging experts.

10. A&O expenses are loss adjustment expenses other than DCC. These expenses include, but are not limited to, the following items:

- a. Fees and expenses of adjusters and settling agents;
- b. Loss adjustment expenses for participation in voluntary and involuntary market pools if reported by calendar year;
- c. Attorney fees incurred in the determination of coverage, including litigation between the reporting entity and the policyholder;
- d. Fees or salaries for appraisers, private investigators, hearing representatives, reinspectors and fraud investigators, if working in the capacity of an adjuster; and
- e. Adjustment expenses arising from claims related lawsuits such as extra contractual obligations and bad faith lawsuits.

11. The foregoing list is not intended to be all-inclusive. Reporting entities are to use reasonable judgment in particular situations.

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12. Reporting entities should assign the DCC expenses to the incurred year in which the associated losses were assigned. Reporting entities may assign the A&O expenses in any justifiable way among the incurred years. The preferred way is to apportion these expenses in proportion to the number of claims reported, closed, or outstanding each year.

13. **Please Note:** This instruction is intended solely to give guidance on reporting loss adjustment expenses in Schedule P in the annual statement. It is not intended to provide guidance on the types of expenses to include in loss adjustment expenses. These definitions of DCC expense and A&O expense are not intended to affect insurance or reinsurance agreements or other contractual agreements.

14. Column 24 is equal to Column 13 – Column 14 + Column 15 – Column 16 + Column 17 – Column 18 + Column 19 – Column 20 + Column 21 – Column 22.

15. Column 28, "Net," equals Column 26 – Column 27, which equals Column 11 + Column 24.

16. Columns 32 and 33 require reporting of the discount, if any, as included on any line in Page 3 on liabilities for unpaid losses and loss adjustment expenses, in regard to non-tabular losses and loss adjustment expenses. (See definition of tabular reserves under Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses in the instructions for the Notes to Financial Statements.) Columns 35 and 36 are the Column 24 unpaid losses and loss adjustment expenses net of the discount in Columns 32 and 33. Columns 35 and 36 must be completed and should agree with net balance sheet reserves after discount. If the reporting entity reports on a pooling basis, then the percentage of that pool reported therein should be entered in Column 34. If some of the business is pooled and some is not, leave Column 34 blank and explain in Interrogatory 7.2 of the Schedule P Interrogatories.

17. Report in Column 23 the estimated amount of anticipated salvage and subrogation that has been taken as credit (netted) in the reserves for unpaid losses and loss adjustment expenses reported in Column 24. (Note: Column 23 is a memo column only as the amounts contained therein have already been taken into consideration in Columns 13 through 20.)

18. The definitions of the named lines are the same as used on the State Pages.

19. All proportional reinsurance must be allocated to appropriate lines.

20. As used in this instruction "non-proportional reinsurance" means reinsurance in excess of retention by the ceding company, and "proportional reinsurance" means fixed percentage of all losses.

21. For contracts that afford both proportional and non-proportional reinsurance, allocate premiums and losses to their component parts.

Prior Row:

22. In the prior row for losses and loss adjustment expenses, paid and salvage and subrogation received (columns 4 through 10), report only losses and loss adjustment expenses paid and salvage and subrogation received in the current calendar year for all incurred years prior to the most recent ten years.
23. Column 4 - 5 + 6 - 7 in the prior row equals column 10 - 9 in the Part 3 prior row.
24. The unpaid losses and loss adjustment expenses on the prior row are the unpaid losses and loss adjustment expenses as of the annual statement date for all incurred years prior to the most recent ten years.
25. The prior row should show the number of claims outstanding in the Summary and for all lines except Non-proportional assumed reinsurance – Property, Liability and Financial Lines. This row equals the number of claims outstanding as of the annual statement date for all incurred years prior to the most recent ten years.
26. There is no reporting required on the prior row for earned premiums, incurred loss and loss adjustment expenses, loss and loss adjustment expense percentages, or the inter-company pooling participation percentages.

SCHEDULE P – PARTS 2, 3, AND 4

1. Schedule P, Part 2 provides a loss and DCC expense development overview to test the adequacy of the reporting entity's reserves. Schedule P, Part 3 shows the payment patterns for cash flow projections, discounting calculations, and actuarial projections. Schedule P, Part 4 is an exhibit showing the historical bulk and IBNR reserves as reported. Part 4 does not show development of these reserves, and it will not, by itself, provide a test of the adequacy of these reserves.

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2. Schedule P, Parts 2, 3 and 4 have parallel formats and are the basic exhibits for actuarial and financial analyses. The same Line Titles that applied to Schedule P, Part 1 also apply to Parts 2, 3 and 4.

a. All amounts in Schedule P, Parts 2, 3, and 4 are reported net of reinsurance.

b. Parts 2 and 3 show cumulative amounts by incurred year.

c. All amounts are to be reported net of salvage and subrogation paid and anticipated.

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d. All amounts in Parts 2 and 4 must be reported gross of both tabular and non-tabular discounting.

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e. In Part 2, the "Development" in Column 11 and 12 should be the current year less the first previous year (for 1-year development) or second previous year (for 2-year development), showing the (redundant) or adverse development.

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Loss Adjustment Expenses:

3. The triangles include only the DCC expenses. The reason for this is that DCC expenses correlate with loss amounts, but the A&O expenses do not.

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Bulk and IBNR Reserves:

4. The bulk and IBNR reserves for losses and DCC expenses in Part 4 are intended to include reserves for incurred but not reported claims, reopened claims, development on case reserves of reported claims, and aggregate reserves on newly reported claims without specific case reserves. The bulk and IBNR reserves in Part 4 are the actuarially determined reserves and are included in the losses unpaid and DCC expenses unpaid reported in Schedule P, Parts 1 and 2. The bulk and IBNR reserves do not include case reserves established on individual claims.

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5. The bulk and IBNR reserves in Part 4 include DCC expenses, unlike the reserves reported in the Underwriting and Investment Exhibit, Part 2A.

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Prior Row:

6. Part 2, Line 1, Column 1 should show the loss and DCC expense reserves (case + bulk + IBNR) as of December 31 of the year in the column heading for all incurred years prior to the year in the column heading. For example, if the year in Column 1 is 20XX, Line 1 of Column 1 should show the loss and DCC expense reserves as of December 31, 20XX for incurred years 20XX-1 and prior.

The subsequent development each year across Line 1 relates to these reserves. For example, Column 2 of Line 1 shows the loss and DCC expense payments in calendar year 20XX+1 on incurred years 20XX-1 and prior plus the reserves (case + bulk + IBNR) as of year-end 20XX+1 on incurred years 20XX-1 and prior. Column 3 shows the payments in calendar years 20XX+1 and 20XX+2 on incurred years 20XX-1 and prior plus the reserves (case + bulk + IBNR) as of year-end 20XX+2 on incurred years 20XX-1 and prior.

This example shows how to calculate the Part 2, Line 1, Column 1 value for the 2024 annual statement. This calculation uses information from Parts 2 through 4 of the 2023 annual statement.

**Line 1 only shows payments made subsequent to the establishment of reserves as of the earliest evaluation date in the table. For example, in the 2024 annual statement, the earliest evaluation date is year-end 2015, and Part 3 only shows payments made subsequent to the establishment of reserves as of year-end 2015. This explains why the amount in Line 1, Column 1 of Part 3 has to be zero, since there can be no payments made in 2015 subsequent to the establishment of reserves as of year-end 2015.*

- Part 4, Line 1 shows the bulk and IBNR reserves at each year-end (using the year in the column heading) for all incurred years prior to the most recent 10. For example, if the year in Column 1 is 20XX, Line 1 of Column 1 should show the loss and DCC expense bulk and IBNR reserves as of December 31, 20XX for incurred years 20XX-1 and prior.

SCHEDULE P – PART 5

- Part 5, Section 1 shows the cumulative number of claims closed with loss payment. Column 10 of Part 5, Section 1 ties to Column 11 of Part 3, except for the values in the Prior Row. Lines 3 through 11 of Column 11 of Part 3 of the prior year's Schedule P tie to Lines 2 through 10 of Column 9 of Part 5, Section 1 of the current Schedule P. Similarly, Part 3 of older years' Schedule P maps to Columns 1 through 8 of the current year's Part 5, Section 1.
- Part 5, Section 2 shows the number of claims outstanding as of the year-end in the column header. Column 10 of Part 5, Section 2 ties to Column 25 of Part 1. Lines 3 through 11 of Column 25 of Part 1 of the prior year's Schedule P tie to Lines 2 through 10 of Column 9 of Part 5, Section 2 of the current Schedule P. Similarly, Column 25 of Part 1 of older years' Schedule P maps to Columns 1 through 8 of the current year's Part 5, Section 2.
- Part 5, Section 3 shows the cumulative number of claims reported. Column 10 of Part 5, Section 3 ties to Column 12 of Part 1, except for the Prior Row. Lines 3 through 11 of Column 12 of Part 1 of the prior year's Schedule P tie to Lines 2 through 10 of Column 9 of Part 5, Section 3 of the current Schedule P. Similarly, Part 1 of older years' Schedule P maps to Columns 1 through 8 of the current year's Part 5, Section 3.

- All claim count information reported in Schedule P should be on a "direct and assumed" basis. "Direct and assumed" means direct plus the proportion of a pool plus proportional reinsurance assumed. The same percentage used for dollar amounts should also be used for the claim counts.

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Prior Row:

- In Section 1, the Prior Row should show the number of claims closed with loss payment in the calendar year corresponding to the column header for all incurred years prior to the most recent 10 years.

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- In Section 2, the Prior Row should show the number of claims outstanding as of the year-end in the column header for all incurred years prior to the most recent 10 years.

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- In Section 3, the Prior Row should show the number of claims reported in the calendar year corresponding to the column header for all incurred years prior to the most recent 10 years. Even though Schedule P, Part 1, Column 12, does not require prior row information, reporting entities should have this information available. If not, reasonable estimates should be made.

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SCHEDULE P – PART 6

- For Schedule P, Part 6, the premiums to be reported are exposure or coverage year cumulative earned premiums, recalculated each subsequent year to reflect audits, retrospective adjustments based on loss experience, accounting lags, etc. Mechanically, the written premium file would be restated and the earned premium calculation repeated each year. Premium adjustments for policy periods that cover more than one calendar year should be proportionately distributed between the calendar years covered by the policy period.

For example (adapted from Feldblum's "Completing and Using Schedule P," eighth edition, June 2003), suppose that a retrospectively rated workers' compensation policy is issued on October 1, 2013, for a one-year term and \$10,000 premium. On December 15, 2014, the payroll audit calls for an additional \$1,000 of premium. On July 1, 2015, the first retrospective adjustment calls for no additional or return premium. On July 1, 2016, the second retrospective adjustment calls for an additional premium of \$5,500. Part 6 for this policy, through December 31, 2016, would be completed as follows:

Annual Statement for the Year 2022 of the XYZ Insurance Company
Schedule P – Part 6
Cumulative Premiums Earned Direct and Assumed at Year End

Years in Which Premiums Were Earned and Losses Were Incurred	1 2013	2 2014	3 2015	4 2016	...
1. Prior					
2. 2013	2,500	2,750	2,750	4,125	
3. 2014		8,250	8,250	12,375	
...					
13. Earned Premiums (Sch P-Pt. 1)	2,500	8,500	0	5,500	

- At December 31, 2013, the exposure year 2013 earned premium is \$2,500 ($=\$10,000 \times 0.25$).
 - At September 30, 2014, the exposure year 2013 earned premium is \$2,500, and the exposure year 2014 earned premium is \$7,500 ($=\$10,000 \times 0.75$).
 - The payroll audit is distributed over the policy term, so on December 31, 2014, the exposure year 2013 earned premium is \$2,750 ($=\$2,500 + 0.25 \times \$1,000$) and the exposure year 2014 earned premium is \$8,250 ($=\$7,500 + 0.75 \times \$1,000$).
 - The retrospective premiums are allocated to exposure years in proportion to the coverage period. At December 31, 2016, the exposure year 2013 earned premium is \$4,125 ($=\$2,750 + 0.25 \times \$5,500$) and the exposure year 2014 earned premium is \$12,375 ($=\$8,250 + 0.75 \times \$5,500$).
2. The objective is to develop earned premiums by exposure year of coverage consistent with the loss and DCC expense by incurred year. The difference between Sections 1 and 2 should equal the total net earned premiums.
 3. A further objective is to determine a more accurate loss and DCC expense ratio and to be able to project the earned but unbilled premiums, which may be an asset or liability. The reporting entity may use any method to recalculate the premiums which will achieve this objective.
 4. Column 11 is for informational purposes and shows the distribution of premiums earned during the current year. Premiums as reported in Schedule P, Part 1, Columns 1 or 2, are also shown at the bottom of the exhibit to demonstrate the relationship and to show how Part 6 reconciles with Part 1.
 5. The layout of Sections 1 and 2 is the same. Section 1 shows direct and assumed premiums, while Section 2 shows ceded.
 6. NOTE: Purchased tail coverage policies are issued in the year that the coverage is effective. Free extended tail coverage is issued in the year the coverage is triggered.

Prior Row:

7. The Prior Row should show the incremental earned premium adjustment in the calendar year corresponding to the column header for all incurred years prior to the most recent 10 years. For Columns 1 through 9, the value in Row 1 for the column corresponding to year 20XX can be determined from the previous year's Schedule P, Part 6 as the sum of Rows 1 and 2 for the column corresponding to year 20XX minus Row 2 for the column corresponding to year 20XX-1.

Sections 2 and 3: Loss Development:

9. In each row of Section 2 display the reported estimate of ultimate losses and DCC expense on all Loss Sensitive Contracts issued (i.e., with inception dates) in that year. Each reported estimate should be the estimate of cumulative ultimate loss and DCC expense as of the calendar year-end corresponding to the column header, not the incremental amounts incurred during each calendar year. The resulting data should display the reported estimate of ultimate losses and DCC expense on a policy year basis.

One reasonability benchmark that can be used to verify that the data is presented on a policy year basis is to compare the magnitude of an issue year's ultimate loss and DCC expense estimates as of twelve months and as of twenty-four months. The valuation as of twenty-four months should be approximately twice as great as the valuation as of twelve months. (For example, issue year 2004 estimate of ultimate losses and DCC expense at year-end 2005 should be approximately twice as great as the estimate of issue year 2004 ultimate losses and DCC expense at year-end 2004.) This reasonability benchmark assumes roughly even policy writings throughout the year. If a company's writings are proportionately greater in the first half of the year than the second half of the year, the valuation as of twelve months can reasonably be expected to be greater than 50% of the twenty-four-month valuation.

10. In each row of Section 3 show the bulk and IBNR reserves included in Section 2.

Sections 4 and 5: Premium Development:

11. In Section 4 of Schedule P for each year of issue, display the net earned premiums reported as of the calendar year-end corresponding to the column header. Each reported estimate should be the estimate of cumulative net earned premium as of each year-end, not the incremental amounts earned during each calendar year. The resulting data should display the reported estimate of net earned premium on a policy year basis.

One reasonability benchmark that can be used to verify that the data is presented on a policy year basis is to compare the magnitude of an issue year's net earned premium as of twelve months and as of twenty-four months. The valuation as of twenty-four months should be approximately twice as great as the valuation as of twelve months. This reasonability benchmark assumes roughly even policy writings throughout the year. If a company's writings are proportionately greater in the first half of the year than the second half of the year, the valuation as of twelve months can reasonably be expected to be greater than 50% of the twenty-four-month valuation.

A second reasonability benchmark that can be used to verify the data presentation is to examine the ratio of Section 2 incurred loss and allocated expenses to Section 4 net earned premiums. The ratio of incurred losses to net earned premiums should all be similar at each valuation date. If Section 2 data is not on a policy year basis, but Section 4 is, or vice versa, the ratios as of twelve months will look very different than the ratios as of twenty-four months.

12. In Section 5 show separately any bulk assets or liabilities for future additional premiums or return of premiums included in the earned premium in Section 4. An entry denoting the expectation of future additional premiums should be displayed as a positive value. An entry denoting the expectation of future return premiums should be displayed as a negative value.
13. (Part 7B only): Loss Sensitive Reinsurance Contracts must be segmented between those on which premium is the adjustable element, and those on which commissions paid to the cedant are adjustable with losses. The premium development schedule (Sections 4 and 5, Part 7B) should only include the experience of contracts with a variable premium.

Sections 6 and 7 (Part 7B only): Commission Development:

14. For all reinsurance contracts where the commission paid to the cedant varies with losses, display the development of that commission in Section 6 and display any assets or liabilities accrued in respect of the commission in Section 7. An entry denoting the expectation of future additional commissions to be paid should be displayed as a negative value. An entry denoting the expectation of future return commissions should be displayed as a positive value.

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From: Long, Chantel <Chantel.Long@illinois.gov>

Sent: Monday, February 23, 2026 12:25 PM

To: Lederer, Julie <Julie.Lederer@insurance.mo.gov>

Cc: McClintock, Reid <Reid.McClintock@illinois.gov>

Subject: FW: CASTF Exposure: Property 2025 Schedule P Phase 2

Good Afternoon Julie,

I hope you are doing well. Reid McClintock, who is copied on this email, is ILDOI's main representative on CASTF and he shared the revised Schedule P documents internally for input. First, I want to say that your time and effort you put into this did not go unnoticed. The language is much more cohesive and the examples you included are very helpful. Kudos on a great job!

I assume that as part of this exercise, you have likely done quite a bit of research on Schedule P, which is the reason for this email. There are a few items (claim counts and development) that ILDOI is interested in understanding further:

1. Regarding Schedule P – Part 1 Paragraph 5 (in your Phase 2 version of the Schedule P Instructions):
 - a. It specifies which lines of business (LOB) apply to Column 12 (Reported Claims), with Auto Physical Damage (APD) being one of them. Consequently, these also appear to be the required LOBs that are reported in Schedule P - Part 5, as shown in the 2025 P&C Annual Statement Blank. However, APD is not shown in the Blank for Part 5.
 - i. I am wondering if that is an oversight in the Blank or if APD should not be listed in the Instructions?
 - ii. Should the LOBs that must show Reported Claims in Column 12 of Schedule P – Part 1 also be the same LOBs for which Schedule P – Part 5 must be filled out? If so, should Schedule P – Part 5 of the Instructions reiterate the LOBs applicable to Part 5?
 - b. Further in Schedule P – Part 1 Paragraph 5 of the Instructions, it states that Column 25 (Outstanding Claims) must be reported for all lines except the non-proportional assumed reinsurance lines that are listed. Do you know why only some lines of business have to disclose the number of Reported Claims in Column 12 and why that requirement differs for Outstanding Claims in Column 25?

2. Regarding Schedule P – Parts 2, 3 and 4 (in your Phase 2 version of Schedule P Instructions), the Instructions do not disclose which LOBs should report on Closed Claims with Payments and Closed Claims without Payments in Columns 11 and 12, respectively, of Part 3? These appear to be the same LOBs for Schedule P – Part 1 Column 12. Currently, I believe the only way to verify this would be the Blank, unless I have overlooked it elsewhere.
3. Schedule P only reports net incurred loss and DCC development, while Notes to Financial Statements #25 report net incurred loss and LAE development. Many times, companies have incorrectly reported the development amount from Schedule P in Note #25. Those amounts should only be the same if A&O development is zero. This is also very confusing for our financial analysts. I know this is outside the scope of your work for the Schedule P Instructions, but have you ever heard from regulators that it would be nice having another column in Schedule P that reported net incurred loss and LAE development by accident year and in total (which would then tie to Note #25)?

Again, thanks for always trying to improve the processes and procedures that impact our work.

Take care,

Chantel



Chantel Long

Property & Casualty Actuarial Examiner

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Cell: 217.220.0753

320 West Washington

Springfield, Illinois 62767



From: Nichole Torblaa <Nichole.Torblaa@ldi.la.gov>
Sent: Friday, February 13, 2026 11:56 AM
To: DeFrain, Kris <kdefrain@naic.org>
Cc: Sobhanian, John <John.Sobhanian@ldi.la.gov>; Malone, Caleb <caleb.malone@ldi.la.gov>
Subject: Fw: CASTF Exposure: Property 2025 Schedule P Phase 2_My feedback

Hi Kris - Please see below from my team. Thanks!

From: John Sobhanian <John.Sobhanian@ldi.la.gov>
Sent: Friday, February 13, 2026 9:41 AM
To: Nichole Torblaa <Nichole.Torblaa@ldi.la.gov>
Subject: FW: CASTF Exposure: Property 2025 Schedule P Phase 2_My feedback

Hi Nichole. I have one feedback(item1) and one question(item 2) per my review. Thanks.

1)On page 1: The below statement is not universally true given that columns 35 and 36 shall be net of both non-tabular discount and tabular discount. Perhaps an addition like “with exception of columns 35 & 36” would be informative.

9. 9. Schedule P, Part 1 should be gross of non-tabular discount and net of tabular discount. The other parts of Schedule P should be gross of all discounts so that the annual statement user can make effective use of the triangles in Parts 2, 3, and

*While non-tabular discounts are typically disclosed in specific columns (32 and 33) of SChP P part1, , the tabular discount itself does not necessarily need to be shown separately in the columns in part 1. The below sentence is used for reconciliation of part 2 using column 24 of part 1. Given companies are not required to provide a separate column for tabular discounts, how is the below note useful for reconciliation?

From Part 1: Column 11 - (Column 8 - Column 9) + Column 24 - (Column 21 - Column 22), plus any tabular discount netted from the loss reserves in Column 24

JOHN SOBHANIAN, ACAS

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LDI

Louisiana
Department of
Insurance

March 26, 2026

Christian Citarella (NH), Chair
Julie Lederer (MO), Vice Chair
NAIC Casualty Actuarial and Statistical Task Force
via email: kdefrain@naic.org

RE: Comments Requested on Property 2025 Schedule P Phase 2

Chair Citarella and Members of the Working Group:

On behalf of the National Association of Mutual Insurance Companies (NAMIC)¹, we are writing in response to the Casualty Actuarial and Statistical Task Force’s recent exposure of Property Schedule P Phase 2 redlines. Our member feedback is limited to some clarifying questions for the Task Force to consider.

Please do not hesitate to reach out with questions; NAMIC looks forward to continuing its engagement in the Task Force’s efforts.

Sincerely,



Erica Weyhenmeyer, CPCU, AIE, MCM, WCP
Policy Vice President - Market Regulation and Workers’ Compensation
NAMIC

¹ *The National Association of Mutual Insurance Companies (NAMIC) is the foremost trade association representing the property/casualty insurance industry. Serving more than 1,300 member companies—including local and regional insurers as well as some of the nation’s largest carriers—NAMIC members collectively write \$467 billion in annual premiums, representing 61% of the homeowners and 53% of the automobile insurance markets. For more than 130 years, NAMIC has been the leading voice advancing public policy solutions and regulatory frameworks that promote a strong, competitive market and protect our members and their policyholders.*

SCHEDULE P

1. 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 (DCC) expenses. Part 3 provides a history of loss and DCC 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.
2. Earned premium is on a calendar year basis in Part 1, an exposure year basis in Part 6, and a policy year basis in Part 7. Except in Part 7, which shows policy year experience, 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). Hereafter, this is called the "incurred year."
3. Schedule P displays ten years of historical data for all lines of business.
4. Report all dollar amounts in Schedule P in thousands of dollars (\$000 omitted), by either rounding or truncating. Claim counts should be reported as whole numbers.
5. The lines of business in Schedule P are groupings of the lines of business used on the state page. In some cases, the heading of the line of business has been expanded for clarity. Business reported on the Aggregate write-ins for other lines of business line of the State Page should be included in the Other Liability sections of Schedule P.
6. 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.
7. 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.
8. 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.
9. Schedule P, Part 1 should be gross of non-tabular discount and net of tabular discount. The other parts of Schedule P should be gross of all discounts so that the annual statement user can make effective use of the triangles in Parts 2, 3, and 4. 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 No. 65—Property and Casualty Contracts.
10. 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.
11. The reserves reported are expected to represent the ultimate amounts to be paid, including anticipated inflation.
12. In those instances where a reporting entity files an amended annual statement as a result of a restatement of previous year earned premium, losses or loss adjustment expenses, Schedule P must be restated and included in the amended annual statement.

The Prior Row:

13. The "prior" row contains data for all incurred years prior to the most recent 10 years. The calculation of the prior row differs by Part and Section.

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- Commented [JL1]: The existing description is not accurate for all parts of Schedule P. More specificity seemed warranted.
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- Commented [JL2]: Moved this from the Parts 1A through 1U section to this intro section since this applies to all parts of Schedule P.
- Deleted: 5.
- Deleted: Except for medical professional liability, other liability and products liability which separately display data for occurrence and claims-made coverages and the reinsurance lines
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- Commented [JL4]: There is not an "aggregate write-ins for other lines of business" line on the statement of income. There is an "aggregate write-ins for other lines of business" line on the state pages and on the Underwriting and Investment Exhibit.
- Commented [EW5]: In this section "State Page" is capitalized and non-capitalized.
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- Commented [JL6]: Edited the wording for clarity without changing the meaning. When the existing wording says "a discount implicit in tabular reserves may be included in Schedule P, Part 1," the word "included" could be ambiguous, and the "may be" suggests that the company has flexibility on how to report tabular discounts in Part 1.
- Deleted: 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.
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- Commented [JL8]: Moved this from the discounting paragraph above because it doesn't reference discounting.
- Commented [JL9]: Moved this from below because it seems to fit better here in the overview section than in the "prior row" section.
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- 12. For salvage and subrogation received on the "prior" row, report losses and expenses paid in the current year.
- Deleted: In those instances where a reporting entity files an ...

Pooling:

- 14. 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.
- 15. Pooled business ceded is that which, if retained instead of ceded, would be pooled among the affiliated companies that are party to the pooling agreement. Any such business that is ceded by the pool participants to non-pooled companies before 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.
- 16. 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.
- 17. 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.
- 18. The pooling percentage is to reflect the company's participation in the pool as of year-end. When changes to pooling agreements impact previous incurred years, historical data values in Schedule P Parts 1 through 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 incurred 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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Commented [JL11]: We changed "accident year" to "incurred year" in Phase 1, but some instances were missed.

Commented [EW12R11]: Is this handled consistently among the SSAPs and SAO, or would the move to "incurred year" create confusion?

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EXHIBIT A

POOLED BUSINESS – SCHEDULE P REPORTING EXAMPLE

This example has been prepared as a clarification of the NAIC *Annual Statement Instructions* to demonstrate how business subject to pooling among affiliated companies should be incorporated in the “Direct + Assumed” and the “Ceded” columns of Schedule P for each affiliated company.

- Company A – The lead company; does the pooling and cedes some business before pooling.
- Company B – Cedes some pool business before ceding to Company A for pooling.
- Company C – Cedes business after pooling.
- Company D – Cedes nothing except to the pool.

Commented [JL13]: “Lead” matches the terminology in the instructions for the statement of actuarial opinion. (See paragraph 1C of the instructions.)

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Sample Situation

	<u>Company A</u>	<u>Company B</u>	<u>Company C</u>	<u>Company D</u>	<u>Total</u>
<u>Pool Business:</u>					
1. Direct & Assumed (a)	90,000	15,000	10,000	5,000	120,000
2. Pool Assembly Assumed (Ceded)	25,000	(10,000)	(10,000)	(5,000)	-
3. (Ceded) Before Pooling Dist. (a)	<u>(15,000)</u> (c)	<u>(5,000)</u> (b)	-	-	<u>(20,000)</u>
4. Net Before Pooling Dist.	100,000	-	-	-	100,000
5. Pooling Dist. Assumed (Ceded)	<u>(25,000)</u>	<u>15,000</u>	<u>7,000</u>	<u>3,000</u>	-
6. Net Retained – Amount	75,000	15,000	7,000	3,000	100,000
– Percent Specified	75%	15%	7%	3%	100%
<u>Non-Pool Business:</u>					
7. Direct & Assumed (e)	5,000	4,000	-	-	9,000
8. (Ceded)	<u>(2,000)</u> (e)	<u>(1,000)</u> (e)	<u>(5,000)</u> (d)	-	<u>(8,000)</u>
9. Net	3,000	3,000	(5,000)	-	1,000
<u>Total Business:</u>					
10. Direct & Assumed Before Pooling	95,000	19,000	10,000	5,000	129,000
11. Pool Assembly Assumed (Ceded)	25,000	(10,000)	(10,000)	(5,000)	-
12. (Ceded) Other Than Pooling	(17,000)	(6,000)	(5,000)	-	(28,000)
13. Pooling Dist. Assumed (Ceded)	<u>(25,000)</u>	<u>15,000</u>	<u>7,000</u>	<u>3,000</u>	-
14. Net	<u>78,000</u>	<u>18,000</u>	<u>2,000</u>	<u>3,000</u>	<u>101,000</u>

- (a) Business which, if retained, would be pooled
- (b) Ceded before pool assembly in Line 2
- (c) Ceded before pooling distribution in Line 5, before and/or after pool assembly in Line 2
- (d) Ceded after pooling distribution in Line 5
- (e) Business which, if retained, would not be pooled

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Schedule P Reporting

Reporting Principle for Pool Business – Each company reports its share/percent of the total pooled “Direct + Assumed” and the total pooled “Ceded” business respectively.

<u>Direct + Assumed</u>						
15.	Pool % of Line 1, Total Col.	90,000	18,000	8,400	3,600	120,000
16.	Non-Pooled (Line 7)	<u>5,000</u>	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>9,000</u>
17.	Total	95,000	22,000	8,400	3,600	129,000
<u>(Ceded)</u>						
18.	Pool % of Line 3, Total Col.	(15,000)	(3,000)	(1,400)	(600)	(20,000)
19.	Non-Pooled (Line 8)	<u>(2,000)</u>	<u>(1,000)</u>	<u>(5,000)</u>	<u>-</u>	<u>(8,000)</u>
20.	Total	<u>(17,000)</u>	<u>(4,000)</u>	<u>(6,400)</u>	<u>(600)</u>	<u>(28,000)</u>
21.	Total Net	78,000	18,000	2,000	3,000	101,000

SCHEDULE P – PART 1

1. Premiums earned and losses paid, unpaid, and incurred should reconcile with the Statement of Income page. Part 1 – Summary is the total of the Schedule P lines.

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2. The columnar headings provide instructions necessary for completion.

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a. “Assumed” means reinsurance assumed, including from affiliated pooling agreements, but excluding any non proportional reinsurance assumed reported as a separate line and reported accordingly.

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b. “Direct” means as directly written, but not if part of an affiliated pooling agreement.

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c. “Ceded” means reinsurance ceded on business so reported as direct or assumed.

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3. The number of claims reported is to be cumulative by incurred year. The number of claims reported in each incurred year is equal to the number of open claims at the end of the current year plus cumulative claims closed with or without payment in current and previous calendar years.

Commented [JL15]: Moved these paragraphs from the Parts 1A through 1U section since this applies to all parts of Part 1, including the Summary.

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4. If the company changes its method of counting claims, the new method should be disclosed in Schedule P Interrogatories, Interrogatory 7.

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5. Number of Claims Reported, Column 12, applies to Auto Liability (commercial and private passenger), Workers’ Compensation, Medical Professional Liability, Homeowners/Farmowners Multiple Peril, Commercial Multiple Peril, Other Liability, Products Liability Auto Physical Damage and Warranty only. This column may be left blank in all other lines, including the Summary. For each year, this Column should include the cumulative number of claims reported through the annual statement date for pooled and non-pooled business. Number of Claims Outstanding, Column 25, must be reported for all lines, except Non-proportional assumed reinsurance – Property, Liability and Financial Lines. For reporting entities reporting on a pooling basis, the pooling percentage should be applied to claim count as well as dollar amounts. Indicate in the Interrogatories whether claim count information is reported per claim or per claimant.

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6. Cumulative salvage and subrogation received and losses and expenses paid should be reported for each specified incurred year.

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7. In Schedule P, Part 1, salvage and subrogation received should be reported net of reinsurance, if any. Loss payments are to be reported net of salvage and subrogation received in Schedule P.

Commented [JL19]: Made edits in this and the next paragraph to bring the language into agreement with paragraph 6 of SSAP No. 55 in the March 2025 AP&P Manual.

The workpapers that show a reconciliation explaining reinsurance, discounting, and salvage and subrogation adjustments should be available for examination on request.

E.g., the SSAP did not used to have the “Adjustment expenses arising from claims related lawsuits such as extra contractual obligations and bad faith lawsuits” paragraph defining one of the categories of A&O expenses. (I don’t know when this was added, but I checked the 2002 and 2011 editions and it was not in there.)

8. The loss adjustment expenses from the Underwriting and Investment Exhibit, Part 3, are separated into one of two categories: DCC or A&O. In projecting the necessary reserves for these expenses, actuaries use a different approach for each of the two types of expenses.

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9. DCC expenses include defense, litigation and medical cost containment expenses, whether internal or external. DCC include, but are not limited to, the following items:

Deleted: “Defense” means defense by the reporting entity in a contentious situation, whether a first party or a third-party claim. The fees charged for reporting entity employees should include overhead, just as an outside firm’s charges would include. The expenses exclude expenses incurred in the determination of coverage. These expenses include the following items:

a. Surveillance expenses;

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b. Fixed amounts for medical cost containment expenses;

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c. Litigation management expenses;

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d. Loss adjustment expenses for participation in voluntary and involuntary market pools if reported by accident year;

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e. Fees or salaries for appraisers, private investigators, hearing representatives, reinspectors and fraud investigators, if working in defense of a claim, and fees or salaries for rehabilitation nurses, if such cost is not included in losses;

Commented [EW20]: Should this also be updated to “incurred year”?

f. Attorney fees incurred owing to a duty to defend, even when other coverage does not exist; and

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g. The cost of engaging experts.

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10. A&O expenses are loss adjustment expenses other than DCC. These expenses include, but are not limited to, the following items:

- a. Fees and expenses of adjusters and settling agents;
- b. Loss adjustment expenses for participation in voluntary and involuntary market pools if reported by calendar year;
- c. Attorney fees incurred in the determination of coverage, including litigation between the reporting entity and the policyholder;
- d. Fees or salaries for appraisers, private investigators, hearing representatives, reinspectors and fraud investigators, if working in the capacity of an adjuster; and
- e. Adjustment expenses arising from claims related lawsuits such as extra contractual obligations and bad faith lawsuits.

11. The foregoing list is not intended to be all-inclusive. We are relying on the reporting entities to use reasonable judgment in particular situations.

12. Reporting entities should assign the DCC expenses to the incurred year in which the associated losses were assigned. Reporting entities may assign the A&O expenses in any justifiable way among the incurred years. The preferred way is to apportion these expenses in proportion to the number of claims reported, closed, or outstanding each year.

13. **Please Note:** This instruction is intended solely to give guidance on reporting loss adjustment expenses in Schedule P in the annual statement. It is not intended to provide guidance on the types of expenses to include in loss adjustment expenses. These definitions of DCC expense and A&O expense are not intended to affect insurance or reinsurance agreements or other contractual agreements.

14. Column 24 is equal to Column 13 – Column 14 + Column 15 – Column 16 + Column 17 – Column 18 + Column 19 – Column 20 + Column 21 – Column 22.

15. Column 28, "Net," equals Column 26 – Column 27, which equals Column 11 + Column 24.

16. Columns 32 and 33 require reporting of the discount, if any, as included on any line in Page 3 on liabilities for unpaid losses and expenses, in regard to non-tabular losses and expenses. (See definition of tabular reserves under Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses in the instructions for the Notes to Financial Statements.) Columns 35 and 36 are the Column 24 unpaid losses and expenses net of the discount in Columns 32 and 33. Columns 35 and 36 must be completed and should agree with net balance sheet reserves after discount. If the reporting entity reports on a pooling basis, then the percentage of that pool reported herein should be entered in Column 34. If some of the business is pooled and some is not, leave Column 34 blank and explain in Interrogatory 7.2 of the Schedule P Interrogatories.

17. Report in Column 23 the estimated amount of anticipated salvage and subrogation that has been taken as credit (netted) in the reserves for unpaid losses and loss adjustment expenses reported in Column 24. (Note: Column 23 is a memo column only as the amounts contained therein have already been taken into consideration in Columns 13 through 20.)

18. The definitions of the named lines are the same as used on the State Pages.

19. All proportional reinsurance must be allocated to appropriate lines.

20. As used in this instruction "non-proportional reinsurance" means reinsurance in excess of retention by the ceding company, and "proportional reinsurance" means fixed percentage of all losses.

21. For contracts that afford both proportional and non-proportional reinsurance, allocate premiums and losses to their component parts.

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Deleted: 22. Row 1 "Prior" row, Columns 4 through 11, should only reflect amounts paid or received in the current calendar year.

22. In the prior row for losses and expenses paid and salvage and subrogation received (columns 4 through 10), report only losses and expenses paid and salvage and subrogation received in the current calendar year for all incurred years prior to the most recent ten years.

Commented [JL23]: Moved this from the intro section above since this applies specifically to Part 1.

23. Column 4 - 5 + 6 - 7 in the prior row equals column 10 - 9 in the Part 3 prior row.

24. The unpaid losses and loss expenses on the prior row are the unpaid losses and loss expenses as of the annual statement date for all incurred years prior to the most recent ten years.

25. The prior row should show the number of claims outstanding in the Summary and for all lines except Non-proportional assumed reinsurance – Property, Liability and Financial Lines. This row equals the number of claims outstanding as of the annual statement date for all incurred years prior to the most recent ten years.

26. There is no reporting required on the prior row for earned premiums, incurred loss and loss expenses, loss and loss expense percentages, or the inter-company pooling participation percentages.

Commented [JL24]: No changes are intended with these added instructions. These instructions describe what is reported on the prior rows. The industry has asked for the instructions to include more information on the prior rows.

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SCHEDULE P – PARTS 1A THROUGH 1U

1. "Claims-made Earned Premiums" shall include earned premiums arising from any policy where the predominant exposure is claims-made, but "Claims-made Earned Premiums" shall not include "Tail Earned Premiums."
2. "Occurrence Earned Premiums" are all premiums which are not claims-made.
3. "Tail Earned Premiums" applicable to a claims-made insurance program are to be included in the occurrence Part for the respective line.
4. The following rules apply to accounting for claims-made losses:
 - a. The "incurred" date shall be the report date for losses attributable to claims-made (but not "tail" forms).
 - b. Losses shall be booked to the report year that is consistent with the report year definition contained in the policy.
6. The rule for accounting for losses incurred on tail policies is that such losses must be assigned to the year in which the policy was issued and are to be included in the Occurrence Part for the respective line.

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Deleted: 10. Report in Column 23 the estimated amount of anticipated salvage and subrogation that has been taken as credit (netted) in the reserves for unpaid losses and loss adjustment expenses reported in Column 24. (Note: Column 23 is a memo column only as the amounts contained therein have already been taken into consideration in Columns 13 through 20.)¶

¶
11. In Column 28, "Net," the amount should equal Column 26 – Column 27, which equals Column 11 + Column 24.

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Deleted: Report loss payments net of salvage and subrogation received....¶

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SCHEDULE P – PARTS 2, 3, AND 4

1. Schedule P, Part 2 provides a loss and expense development overview to test the adequacy of the reporting entity's reserves. Schedule P, Part 3 shows the payment patterns for cash flow projections, discounting calculations, and actuarial projections. Schedule P, Part 4 is an exhibit showing the historical bulk and IBNR reserves as reported. Part 4 does not show a development of these reserves, and it will not, by itself, provide a test of the adequacy of these reserves.
2. Schedule P, Parts 2, 3 and 4 have parallel formats and are the basic exhibits for actuarial and financial analyses. The same Line Titles that applied to Schedule P, Part 1 also apply to Parts 2, 3 and 4.

- a. All amounts in Schedule P, Parts 2, 3, and 4 are reported net of reinsurance.
- b. Parts 2 and 3 show cumulative amounts by incurred year.
- b. All amounts are to be reported net of salvage and subrogation paid and anticipated.
- c. All amounts in Parts 2 and 4 must be reported gross of both tabular and non-tabular discounting.
- d. In part 2, the "Development" in Column 11 and 12 should be the current year less the first previous year (for 1-year development) or second previous year (for 2-year development), showing the (redundant) or adverse development.

Commented [EW32]: We would like clarity on how this applies to counts. For example, in entities that have 100% quota share agreements, carriers are still providing counts in part 3, col 11 & 12 due to the "direct & assumed" comment about counts in Part 5.

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Commented [JL33]: I added this because I wasn't sure that we were clear anywhere else in this document that Parts 2 and 3 are cumulative.

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Loss Adjustment Expenses:

3. The triangles include only the DCC loss adjustment expenses. The reason for this is that DCC adjustment expenses correlate with loss amounts, but the A&O expenses do not.

Bulk and IBNR Reserves:

4. The Bulk and IBNR reserves for losses and expenses are intended to include reserves for incurred but not reported claims, reopened claims, development on case reserves of reported claims, and aggregate reserves on newly reported claims without specific case reserves. The Bulk and IBNR reserves are the actuarially determined reserves and are included in the losses unpaid and loss expenses unpaid reported in Schedule P, Parts 1 and 2. The Bulk and IBNR reserves do not include case reserves established on individual claims.
5. The Bulk and IBNR reserves in Part 4 include DCC expenses, unlike the reserves reported in the Underwriting and Investment Exhibit, Part 2A.

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Commented [JL35]: Kris had recommended adding something like this for the description of the Part 4 prior years row, but it seems like it might fit well here.

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Prior Row:

5. Part 2, Line 1, Column 1, should show the loss and DCC expense reserves (case + bulk + IBNR) as of December 31 of the year in the column heading for all incurred years prior to the year in the column heading. For example, if the year in Column 1 is 20XX, Line 1 of Column 1 should show the loss and DCC expense reserves as of December 31, 20XX for incurred years 20XX-1 and prior.

The subsequent development each year across Line 1 relates to these reserves. For example, Column 2 of Line 1 shows the loss and DCC expense payments in calendar year 20XX+1 on incurred years 20XX-1 and prior plus the reserves (case + bulk + IBNR) as of year-end 20XX+1 on incurred years 20XX-1 and prior. Column 3 shows the payments in calendar years 20XX+1 and 20XX+2 on incurred years 20XX-1 and prior plus the reserves (case + bulk + IBNR) as of year-end 20XX+2 on incurred years 20XX-1 and prior.

This example shows how to calculate the Part 2, Line 1, Column 1 value for the 2024 annual statement. This calculation uses information from Parts 2 through 4 of the 2023 annual statement.

Incurring Net Losses and Defense and Cost Containment Expenses Reported at Year End (\$000 Omitted)

Years in Which Losses Were Incurred	1 2014	2 2015	3 2016	4 2017	5 2018	6 2019	7 2020	8 2021	9 2022	10 2023
1. Prior		830,000								
2. 2014		430,000								

Annual Statement for the Year 2023 of the XYZ Insurance Company
Schedule P – Part 3

Cumulative Paid Net Losses and Defense and Cost Containment Expenses Reported at Year End (\$000 Omitted)

Years in Which Losses Were Incurred	1 2014	2 2015	3 2016	4 2017	5 2018	6 2019	7 2020	8 2021	9 2022	10 2023
1. Prior		180,000								
2. 2014		150,000								

Annual Statement for the Year 2023 of the XYZ Insurance Company
Schedule P – Part 4

Bulk and IBNR Reserves on Net Losses and Defense and Cost Containment Expenses Reported at Year End (\$000 Omitted)

Years in Which Losses Were Incurred	1 2014	2 2015	3 2016	4 2017	5 2018	6 2019	7 2020	8 2021	9 2022	10 2023
1. Prior		420,000								
2. 2014		210,000								

Annual Statement for the Year 2024 of the XYZ Insurance Company
Schedule P – Part 2

Incurring Net Losses and Defense and Cost Containment Expenses Reported at Year End (\$000 Omitted)

Years in Which Losses Were Incurred	1 2015	2 2016	3 2017	4 2018	5 2019	6 2020	7 2021	8 2022	9 2023	10 2024
1. Prior	930,000									
2. 2015										

Case reserves on net losses and DCC expenses for incurred years 2014 and prior as of 12/31/15:
 $830,000 + 430,000 - (180,000 + 150,000) - (420,000 + 210,000) = 300,000$

Bulk and IBNR reserves on net losses and DCC expenses for incurred years 2014 and prior as of 12/31/15:
 $420,000 + 210,000 = 630,000$

Case and bulk and IBNR reserves on net losses and DCC expenses for incurred years 2014 and prior as of 12/31/15:
 $300,000 + 630,000 = 930,000$

The Part 2, Line 1, Column 1 value in the current year's annual statement (930,000) equals:
Part 2, Line 1, Column 2 in the prior year's annual statement (830,000)
+ Part 2, Line 2, Column 2 in the prior year's annual statement (430,000)
- Part 3, Line 1, Column 2 in the prior year's annual statement (180,000)
- Part 3, Line 2, Column 2 in the prior year's annual statement (150,000).

6. In Part 3, Line 1, Column 1, the amount entered should always be zero. In Line 1, Column 2, the amount should be the loss and DCC expense payments made in that calendar year on the reserves reported in Part 2, Line 1, Column 1. (These payments are also included in Part 2, Line 1, Column 2.) For example, if the year in Column 1 is 20XX, Column 2 of Line 1 shows the loss and DCC expense payments in calendar year 20XX+1 on incurred years 20XX-1 and prior. Column 3 shows the payments in calendar years 20XX+1 and 20XX+2 on incurred years 20XX-1 and prior. (These payments are also included in Part 2, Line 1, Column 3.) Columns 4 through 10 should continue to cumulate the payments in the same way and tie into the Part 2 "prior" row.

Commented [JL37]: Added this based on a recommendation in the Gain Compliance/AXA XL letter to Blanks dated 1/19/24.

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- Deleted:** In Line 1, Column 3, the amount should be the loss and expense payments made in that year and the preceding year on the reserves reported in Part 2, Line 1, Column 2.
- Deleted:** should
- Deleted:** have been

**Line 1 only shows payments made subsequent to the establishment of reserves as of the earliest evaluation date in the table. For example, in the 2024 annual statement, the earliest evaluation date is year-end 2015, and Part 3 only shows payments made subsequent to the establishment of reserves as of year-end 2015. This explains why the amount in Line 1, Column 1 of Part 3 has to be zero, since there can be no payments made in 2015 subsequent to the establishment of reserves as of year-end 2015.*

- Part 4, Line 1 shows the bulk and IBNR reserves at each year-end (using the year in the column heading) for all incurred years prior to the most recent 10. For example, if the year in Column 1 is 20XX, Line 1 of Column 1 should show the loss and DCC expense bulk and IBNR reserves as of December 31, 20XX for incurred years 20XX-1 and prior.

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Deleted: In Part 4, Row 1, Column 1, the amount entered should be the bulk and IBNR that was included in Part 2, Row 1, Column 1, (which should equal the case reserves plus the bulk and IBNR). In fact, the entire Row 1 should be the bulk and IBNR included in Part 2, Row 1....

SCHEDULE P – PART 5

- Part 5, Section 1 shows the cumulative number of claims closed with loss payment. Column 10 of Part 5, Section 1 ties to Column 11 of Part 3, except for the values in the Prior Row. Lines 3 through 11 of Column 11 of Part 3 of the prior year's Schedule P tie to Lines 2 through 10 of Column 9 of Part 5, Section 1 of the current Schedule P. Similarly, Part 3 of older years' Schedule P maps to Columns 1 through 8 of the current year's Part 5, Section 1.

Deleted: 9. The "prior" row can be reconciled with the immediately preceding year's Annual Statement by breaking down the accident years in the preceding Annual Statement and properly summing the parts...¶

- Part 5, Section 2 shows the number of claims outstanding as of the year-end in the column header. Column 10 of Part 5, Section 2 ties to Column 25 of Part 1. Lines 3 through 11 of Column 25 of Part 1 of the prior year's Schedule P tie to Lines 2 through 10 of Column 9 of Part 5, Section 2 of the current Schedule P. Similarly, Column 25 of Part 1 of older years' Schedule P maps to Columns 1 through 8 of the current year's Part 5, Section 2.

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- Part 5, Section 3 shows the cumulative number of claims reported. Column 10 of Part 5, Section 3 ties to Column 12 of Part 1, except for the Prior Row. Lines 3 through 11 of Column 12 of Part 1 of the prior year's Schedule P tie to Lines 2 through 10 of Column 9 of Part 5, Section 3 of the current Schedule P. Similarly, Part 1 of older years' Schedule P maps to Columns 1 through 8 of the current year's Part 5, Section 3.

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Deleted: , as previously reported in Part 1, Column 25, for all years, since this information has always been required in Schedule P. ...

- All claim count information reported in Schedule P should be on a "direct and assumed" basis. "Direct and assumed" means direct plus the proportion of a pool plus proportional reinsurance assumed. The same percentage used for dollar amounts should also be used for the claim counts.

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Prior Row:

Commented [EW42]: This statement is the reason we fill out Part 3, though Part 3 states that it is net. Clarity here would be appreciated.

- In Section 1, the Prior Row should show the number of claims closed with loss payment in the calendar year corresponding to the column header for all incurred years prior to the most recent 10 years.

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- In Section 2, the Prior Row should show the number of claims outstanding as of the year-end in the column header for all incurred years prior to the most recent 10 years.

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- In Section 3, the Prior Row should show the number of claims reported in the calendar year corresponding to the column header for all incurred years prior to the most recent 10 years. Even though Schedule P, Part 1, Column 12, does not require prior row information, reporting entities should have this information available. If not, reasonable estimates should be made.

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SCHEDULE P – PART 6

- For Schedule P, Part 6, the premiums to be reported are exposure or coverage year cumulative earned premiums, recalculated each subsequent year to reflect audits, retrospective adjustments based on loss experience, accounting lags, etc. Mechanically, the written premium file would be restated and the earned premium calculation repeated each year. Premium adjustments for policy periods that cover more than one calendar year should be proportionately distributed between the calendar years covered by the policy period.

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For example (adapted from Feldblum's "Completing and Using Schedule P," eighth edition, June 2003), suppose that a retrospectively rated workers' compensation policy is issued on October 1, 2013, for a \$10,000 premium. On December 15, 2014, the payroll audit calls for an additional \$1,000 of premium. On July 1, 2015, the first retrospective adjustment calls for no additional or return premium. On July 1, 2016, the second retrospective adjustment calls for an additional premium of \$5,500. Part 6 for this policy, through December 31, 2016, would be completed as follows:

Annual Statement for the Year 2022 of the XYZ Insurance Company
Schedule P – Part 6
Cumulative Premiums Earned Direct and Assumed at Year End

Years in Which Premiums Were Earned and Losses Were Incurred	1 2013	2 2014	3 2015	4 2016	...
1. Prior					
2. 2013	2,500	2,750	2,750	4,125	
3. 2014		8,250	8,250	12,375	
...					
13. Earned Premiums (Sch P-Pt. 1)	2,500	8,500	0	5,500	

- At December 31, 2013, the exposure year 2013 earned premium is \$2,500 ($=\$10,000 \times 0.25$).
- At September 30, 2014, the exposure year 2013 earned premium is \$2,500, and the exposure year 2014 earned premium is \$7,500 ($=\$10,000 \times 0.75$).
- The payroll audit is distributed over the policy term, so on December 31, 2014, the exposure year 2013 earned premium is \$2,750 ($=\$2,500 + 0.25 \times \$1,000$) and the exposure year 2014 earned premium is \$8,250 ($=\$7,500 + 0.75 \times \$1,000$).
- The retrospective premiums are allocated to exposure years in proportion to the coverage period. At December 31, 2016, the exposure year 2013 earned premium is \$4,125 ($=\$2,750 + 0.25 \times \$5,500$) and the exposure year 2014 earned premium is \$12,375 ($=\$8,250 + 0.75 \times \$5,500$).

- The objective is to develop earned premiums by exposure year of coverage consistent with the loss and DCC expense by incurred year. The difference between Sections 1 and 2 should equal the total net earned premiums.
- A further objective is to determine a more accurate loss and DCC expense ratio and to be able to project the earned but unbilled premiums, which may be an asset or liability. The reporting entity may use any method to recalculate the premiums, which will achieve this objective.
- Column 11 is for informational purposes and shows the distribution of premiums earned during the current year. Premiums as reported in Schedule P, Part 1, Columns 1 or 2, are also shown at the bottom of the exhibit to demonstrate the relationship and to show how Part 6 reconciles with Part 1.
- The layout of Sections 1 and 2 is the same. Section 1 shows direct and assumed premiums, while Section 2 shows ceded.
- NOTE: Purchased tail coverage policies are issued in the year that the coverage is effective. Free extended tail coverage is issued in the year the coverage is triggered.

Prior Row:

- The Prior Row should show the incremental earned premium adjustment in the calendar year corresponding to the column header for all incurred years prior to the most recent 10 years. For Columns 1 through 9, the value in Row 1 for the column corresponding to year 20XX can be determined from the previous year's Schedule P, Part 6 as the sum of Rows 1 and 2 for the column corresponding to year 20XX minus Row 2 for the column corresponding to year 20XX-1.

Commented [JL44]: I always have to remind myself what's in Part 6 so I thought an example might help me and others.

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Commented [JL45]: Isn't it by exposure year of coverage? The rows in Part 6 are exposure years. And this is what makes the premiums in Part 6 more analogous to the incurred year losses. (Exposure year premium is allocated to year based on the exposures in each year, just like incurred year losses are allocated to year based on the accidents in each year.)

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Commented [JL46]: No longer necessary to state. Part 6 shows ten years of data, plus a "prior" row.

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Commented [JL49]: I tried to state this in a clearer way.

Deleted: prior experience years (columns). Row 1 for a particular year of experience (x) can be determined from the prior year's Schedule P, Part 6, as the sum of Rows 1 plus 2 for experience year (x) (column) minus Row 2 for the preceding year (x-1)....

SCHEDULE P – PART 7

1. Only the experience on contracts that meet the following definition should be included in Part 7.

Loss sensitive contracts shall meet the following criteria:

- a. Contracts where an increase in losses on a policy can cause an increase in net payment (by the insured) for that policy.
 - b. The amount of additional payment (by the insured) must be at least 75% (50% for reinsurance contracts) of the additional losses, before application of aggregate and per accident/claimant limits or caps.
 - c. The net amount paid (by the insured) must also be able to differ by at least 20% (10% for reinsurance contracts), from highest to lowest possible charge in reaction to the loss experience.
 - d. The maximum possible payment by the insured should also be at least 15% (7.5% for reinsurance contracts) above what the insured would pay based on expected loss experience. In other words, the maximum charge should not approximate the expected charge.
 - e. The additional payment shall be in the form of additional premiums or additional commissions.
 - f. The additional losses and corresponding payments must flow through the income and balance sheets and cannot be "off-balance sheet." For example, a deductible feature does not make a contract "loss sensitive" under this definition, as neither the losses under the deductible nor the reimbursements for these losses flow through the income statement.
2. Part 7 is only required of reporting entities who claim a reduction in their Risk-Based Capital for Loss Sensitive Contracts. Such reporting entities must complete the entire schedule in each year that they claim such credit.
 3. Part 7A provides experience on primary contracts. Part 7B provides experience on reinsurance contracts.

Section 1: Current Year Loss and LAE Reserves and Net Written Premium:

4. Column (1) should agree with the net loss and loss adjustment expense reserves (undiscounted) reported in the corresponding Part 1 of Schedule P.
5. Column (2) should reflect the corresponding values for Loss Sensitive Contracts only. Primary Loss Sensitive should include direct losses and expenses unpaid less reinsurance on those direct losses and expenses. Reinsurance Loss Sensitive should include unpaid assumed losses and expenses less any retrocessions on those losses and expenses.
6. Column (4) x 1000 should agree with the net written premiums reported in the Underwriting and Investment Exhibit.
7. Column (5) should reflect the corresponding premium for Loss Sensitive Contracts only. Primary Loss Sensitive should include direct premiums written on loss sensitive contracts less reinsurance on those direct premiums. Reinsurance Loss Sensitive should include assumed loss sensitive premiums less any retroceded premiums.
8. Columns (3) and (6) are ratios of (2) to (1) and (5) to (4), respectively. Express as percentages showing one decimal place (e.g., 24.2%).

Commented [JL50]: Net premiums written are not shown on the income statement but are shown on the UW&I Exhibit, Part 1.

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Sections 2 and 3: Loss Development:

9. In each row of Section 2 display the reported estimate of ultimate losses and DCC expense on all Loss Sensitive Contracts issued (i.e., with inception dates) in that year. Each reported estimate should be the estimate of **cumulative** ultimate loss and DCC expense as of **the calendar year-end corresponding to the column header**, not the incremental amounts incurred during each calendar year. The resulting data should display the reported estimate of ultimate losses and DCC expense on a Policy Year basis.

One reasonability benchmark that can be used to verify that the data is presented on a Policy Year basis is to compare the magnitude of an issue year's ultimate loss and DCC expense estimates as of twelve months and as of twenty-four months. The valuation as of twenty-four months should be approximately twice as great as the valuation as of twelve months. (For example, Issue Year 2004 estimate of ultimate losses and DCC expense at year-end 2005 should be approximately twice as great as the estimate of Issue Year 2004 ultimate losses and DCC expense at year-end 2004.) This reasonability benchmark assumes roughly even policy writings throughout the year. If a company's writings are proportionately greater in the first half of the year than the second half of the year, the valuation as of twelve months can reasonably be expected to be greater than 50% of the twenty-four-month valuation.

10. In each row of Section 3 show the bulk and IBNR reserves included in Section 2.

Sections 4 and 5: Premium Development:

11. In Section 4 of Schedule P for each year of issue, display the net earned premiums reported **as of the calendar year-end corresponding to the column header**. Each reported estimate should be the estimate of **cumulative** net earned premium as of each year-end, not the incremental amounts earned during each calendar year. The resulting data should display the reported estimate of net earned premium on a Policy Year basis.

One reasonability benchmark that can be used to verify that the data is presented on a Policy Year basis is to compare the magnitude of an issue year's net earned premium as of twelve months and as of twenty-four months. The valuation as of twenty-four months should be approximately twice as great as the valuation as of twelve months. This reasonability benchmark assumes roughly even policy writings throughout the year. If a company's writings are proportionately greater in the first half of the year than the second half of the year, the valuation as of twelve months can reasonably be expected to be greater than 50% of the twenty-four-month valuation.

A second reasonability benchmark that can be used to verify the data presentation is to examine the ratio of Section 2 incurred loss and allocated expenses to Section 4 net earned premiums. The ratio of incurred losses to net earned premiums should all be similar at each valuation date. If Section 2 data is not on a policy year basis, but Section 4 is, or **vice versa**, the ratios as of twelve months will look very different than the ratios as of twenty-four months.

12. In Section 5 show separately any bulk assets or liabilities for future additional premiums or return of premiums included in the earned premium in Section 4. An entry denoting the expectation of future additional premiums should be displayed as a positive value. An entry denoting the expectation of future return premiums should be displayed as a negative value.
13. (Part 7B only): Loss Sensitive Reinsurance Contracts must be segmented between those on which premium is the adjustable element, and those on which commissions paid to the cedant are adjustable with losses. The premium development schedule (Sections 4 and 5, Part 7B) should only include the experience of contracts with a variable premium.

Sections 6 and 7 (Part 7B only): Commission Development:

14. For all reinsurance contracts where the commission paid to the cedant varies with losses, display the development of that commission in Section 6 and display any assets or liabilities accrued in respect of the commission in Section 7. An entry denoting the expectation of future additional commissions to be paid should be displayed as a negative value. An entry denoting the expectation of future return commissions should be displayed as a positive value.

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Prior Row:

15. The "Prior" row in Sections 2 and 3 should display the reported estimate of ultimate losses and **DCC Expense** on a Policy Year basis for all policy years ten or more years older than the current policy year.
16. The "Prior" row in Sections 4 and 5 should display the reported estimate of net earned premium on a Policy Year basis for all policy years ten or more years older than the current policy year.

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Commented [EW51]: Change expense to lower case consistent with other edits to the document.

Formulas for Schedule P, Parts 2-4

Schedule P – Part 2 – Incurred Net Losses and Defense and Cost Containment Reported at Year-End

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Prior	Case + Bulk + IBNR rsvs on <2016 @ Ye 2016	paid in 2017 + rsvs on < 2016 @ ye 2017	paid 2017 thru 2018 + rsvs on < 2016 @ ye 2018	paid 2017 thru 2019 + rsvs on < 2016 @ ye 2019	paid 2017 thru 2020 + rsvs on < 2016 @ ye 2020	paid 2017 thru 2021 + rsvs on < 2016 @ ye 2021	paid 2017 thru 2022 + rsvs on < 2016 @ ye 2022	paid 2017 thru 2023 + rsvs on < 2016 @ ye 2023	paid 2017 thru 2024 + rsvs on < 2016 @ ye 2024	paid 2017 thru 2025 + rsvs on < 2016 @ ye 2025
2016	paid in 2016 + rsvs on 2016 @ ye 2016	paid thru 2017 + rsvs on 2016 @ ye 2017	paid thru 2018 + rsvs on 2016 @ ye 2018	paid thru 2019 + rsvs on 2016 @ ye 2019	paid thru 2020 + rsvs on 2016 @ ye 2020	paid thru 2021 + rsvs on 2016 @ ye 2021	paid thru 2022 + rsvs on 2016 @ ye 2022	paid thru 2023 + rsvs on 2016 @ ye 2023	paid thru 2024 + rsvs on 2016 @ ye 2024	paid thru 2025 + rsvs on 2016 @ ye 2025
2017		paid in 2017 + rsvs on 2017 @ ye 2017	paid thru 2018 + rsvs on 2017 @ ye 2018	paid thru 2019 + rsvs on 2017 @ ye 2019	paid thru 2020 + rsvs on 2017 @ ye 2020	paid thru 2021 + rsvs on 2017 @ ye 2021	paid thru 2022 + rsvs on 2017 @ ye 2022	paid thru 2023 + rsvs on 2017 @ ye 2023	paid thru 2024 + rsvs on 2017 @ ye 2024	paid thru 2025 + rsvs on 2017 @ ye 2025
2018			paid in 2018 + rsvs on 2018 @ ye 2018	paid thru 2019 + rsvs on 2018 @ ye 2019	paid thru 2020 + rsvs on 2018 @ ye 2020	paid thru 2021 + rsvs on 2018 @ ye 2021	paid thru 2022 + rsvs on 2018 @ ye 2022	paid thru 2023 + rsvs on 2018 @ ye 2023	paid thru 2024 + rsvs on 2018 @ ye 2024	paid thru 2025 + rsvs on 2018 @ ye 2025
2019				paid in 2019 + rsvs on 2019 @ ye 2019	paid thru 2020 + rsvs on 2019 @ ye 2020	paid thru 2021 + rsvs on 2019 @ ye 2021	paid thru 2022 + rsvs on 2019 @ ye 2022	paid thru 2023 + rsvs on 2019 @ ye 2023	paid thru 2024 + rsvs on 2019 @ ye 2024	paid thru 2025 + rsvs on 2019 @ ye 2025
2020					paid in 2020 + rsvs on 2020 @ ye 2020	paid thru 2021 + rsvs on 2020 @ ye 2021	paid thru 2022 + rsvs on 2020 @ ye 2022	paid thru 2023 + rsvs on 2020 @ ye 2023	paid thru 2024 + rsvs on 2020 @ ye 2024	paid thru 2025 + rsvs on 2020 @ ye 2025
2021						paid in 2021 + rsvs on 2021 @ ye 2021	paid thru 2022 + rsvs on 2021 @ ye 2022	paid thru 2023 + rsvs on 2021 @ ye 2023	paid thru 2024 + rsvs on 2021 @ ye 2024	paid thru 2025 + rsvs on 2021 @ ye 2025
2022							paid in 2022 + rsvs on 2022 @ ye 2022	paid thru 2023 + rsvs on 2022 @ ye 2023	paid thru 2024 + rsvs on 2022 @ ye 2024	paid thru 2025 + rsvs on 2022 @ ye 2025
2023								paid in 2023 + rsvs on 2023 @ ye 2023	paid thru 2024 + rsvs on 2023 @ ye 2024	paid thru 2025 + rsvs on 2023 @ ye 2025
2024									paid in 2024 + rsvs on 2024 @ ye 2024	paid thru 2025 + rsvs on 2024 @ ye 2025
2025										paid in 2025 + rsvs on 2025 @ ye 2025

Notes Figures are net of reinsurance, subrogation, and salvage.

Reserves Only. Subsequent development relates only to subsequent payments and reserves.
 From Part 1: Column 11 - (Column 8 - Column 9) + Column 24 - (Column 21 - Column 22), plus any tabular discount netted from the loss reserves in Column 24

Commented [JL52]: Part 2 is gross of tabular discount whereas Part 1 is net.

Schedule P-- Part 3 – Cumulative Paid Net Losses and Defense and Cost Containment Expenses Reported at Year-End

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
Prior	000	paid in 2017 thru 2018 on < 2016*	paid 2017 thru 2018 on < 2016	paid 2017 thru 2019 on < 2016	paid 2017 thru 2020 on < 2016	paid 2017 thru 2021 on < 2016	paid 2017 thru 2022 on < 2016	paid 2017 thru 2023 on < 2016	paid 2017 thru 2024 on < 2016	paid 2017 thru 2025 on < 2016		
2016	paid in 2016 on 2016	paid thru 2017 on 2016	paid thru 2018 on 2016	paid thru 2019 on 2016	paid thru 2020 on 2016	paid thru 2021 on 2016	paid thru 2022 on 2016	paid thru 2023 on 2016	paid thru 2024 on 2016	paid thru 2025 on 2016		
2017		paid in 2017 on 2017	paid thru 2018 on 2017	paid thru 2019 on 2017	paid thru 2020 on 2017	paid thru 2021 on 2017	paid thru 2022 on 2017	paid thru 2023 on 2017	paid thru 2024 on 2017	paid thru 2025 on 2017		
2018			paid in 2018 on 2018	paid thru 2019 on 2018	paid thru 2020 on 2018	paid thru 2021 on 2018	paid thru 2022 on 2018	paid thru 2023 on 2018	paid thru 2024 on 2018	paid thru 2025 on 2018		
2019				paid in 2019 on 2019	paid thru 2020 on 2019	paid thru 2021 on 2019	paid thru 2022 on 2019	paid thru 2023 on 2019	paid thru 2024 on 2019	paid thru 2025 on 2019		
2020					paid in 2020 on 2020	paid thru 2021 on 2020	paid thru 2022 on 2020	paid thru 2023 on 2020	paid thru 2024 on 2020	paid thru 2025 on 2020		
2021						paid in 2021 on 2021	paid thru 2022 on 2021	paid thru 2023 on 2021	paid thru 2024 on 2021	paid thru 2025 on 2021		
2022							paid in 2022 on 2022	paid thru 2023 on 2022	paid thru 2024 on 2022	paid thru 2025 on 2022		
2023								paid in 2023 on 2023	paid thru 2024 on 2023	paid thru 2025 on 2023		
2024									paid in 2024 on 2024	paid thru 2025 on 2024		
2025										paid in 2025 on 2025		

Notes: Figures are net of reinsurance.
 Figures are net of salvage and subrogation received.
 * "on < 2016" here means "on net loss and DCC expense reserves established by the company as of 12/31/16 for incurred years prior to 2016"

From Part 1: Column 4 - Column 5 + Column 6 - Column 7
 (or Column 11 - (Column 8 - Column 9))

Deleted: 1

**Schedule P - Part 4 - Bulk and INBR Reserves on Net Losses and DCC Expenses
Reported at Year End**

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Prior	rsvs ye 2016 on < 2016	rsvs ye 2017 on < 2016	rsvs ye 2018 on < 2016	rsvs ye 2019 on < 2016	rsvs ye 2020 on < 2016	rsvs ye 2021 on < 2016	rsvs ye 2022 on < 2016	rsvs ye 2023 on < 2016	rsvs ye 2024 on < 2016	rsvs ye 2025 on < 2016
2016	rsvs ye 2016 on 2016 ay	rsvs ye 2017 on 2016 ay	rsvs ye 2018 on 2016 ay	rsvs ye 2019 on 2016 ay	rsvs ye 2020 on 2016 ay	rsvs ye 2021 on 2016 ay	rsvs ye 2022 on 2016 ay	rsvs ye 2023 on 2016 ay	rsvs ye 2024 on 2016 ay	rsvs ye 2025 on 2016 ay
2017		rsvs ye 2017 on 2017 ay	rsvs ye 2018 on 2017 ay	rsvs ye 2019 on 2017 ay	rsvs ye 2020 on 2017 ay	rsvs ye 2021 on 2017 ay	rsvs ye 2022 on 2017 ay	rsvs ye 2023 on 2017 ay	rsvs ye 2024 on 2017 ay	rsvs ye 2025 on 2017 ay
2018			rsvs ye 2018 on 2018 ay	rsvs ye 2019 on 2018 ay	rsvs ye 2020 on 2018 ay	rsvs ye 2021 on 2018 ay	rsvs ye 2022 on 2018 ay	rsvs ye 2023 on 2018 ay	rsvs ye 2024 on 2018 ay	rsvs ye 2025 on 2018 ay
2019				rsvs ye 2019 on 2019 ay	rsvs ye 2020 on 2019 ay	rsvs ye 2021 on 2019 ay	rsvs ye 2022 on 2019 ay	rsvs ye 2023 on 2019 ay	rsvs ye 2024 on 2019 ay	rsvs ye 2025 on 2019 ay
2020					rsvs ye 2020 on 2020 ay	rsvs ye 2021 on 2020 ay	rsvs ye 2022 on 2020 ay	rsvs ye 2023 on 2020 ay	rsvs ye 2024 on 2020 ay	rsvs ye 2025 on 2020 ay
2021						rsvs ye 2021 on 2021 ay	rsvs ye 2022 on 2021 ay	rsvs ye 2023 on 2021 ay	rsvs ye 2024 on 2021 ay	rsvs ye 2025 on 2021 ay
2022							rsvs ye 2022 on 2022 ay	rsvs ye 2023 on 2022 ay	rsvs ye 2024 on 2022 ay	rsvs ye 2025 on 2022 ay
2023								rsvs ye 2023 on 2023 ay	rsvs ye 2024 on 2023 ay	rsvs ye 2025 on 2023 ay
2024									rsvs ye 2024 on 2024 ay	rsvs ye 2025 on 2024 ay
2025										rsvs ye 2025 on 2025 ay

Commented [EW53]: Question: Would it be appropriate in this table to update "ay" to "iy" (incurred year) consistent with the rest of the change throughout the document from accident year to incurred year?

Commented [JL54]: I highlighted this cell gray because the formula in the footnote works for the prior row too for Part 4.

Notes: Figures are net of reinsurance.

From Part 1: Column 15 - Column 16 + Column 19 - Column 20, plus any tabular discount netted from the reserves in Part 1

Commented [JL55]: Part 4 is gross of tabular discount whereas Part 1 is net.

Earned Premium Development for Schedule P, Part 6

Example

Rows 1 and 2 of the 2023 Part 6 are shown because these rows can be used to calculate Row 1 of the 2024 Part 6.

Annual Statement for the Year 2023 of the XYZ Insurance Company
Schedule P – Part 6
Cumulative Premiums Earned Direct and Assumed at Year End

Year in Which Premiums Were Earned and Losses Were Incurred	CUMULATIVE PREMIUMS EARNED DIRECT AND ASSUMED AT YEAR END (\$000 OMITTED)										Current Year Premiums Earned
	1	2	3	4	5	6	7	8	9	10	
1. Prior	9,900	1,900	1,200	(1,500)	(2,400)	2,100	(300)	(1,100)	0	0	0
2. 2014	112,000	121,000	126,100	126,600	126,000	127,500	126,300	124,500	124,500	124,400	(100)

Annual Statement for the Year 2024 of the XYZ Insurance Company
Schedule P – Part 6
Cumulative Premiums Earned Direct and Assumed at Year End

Year in Which Premiums Were Earned and Losses Were Incurred	CUMULATIVE PREMIUMS EARNED DIRECT AND ASSUMED AT YEAR END (\$000 OMITTED)										Current Year Premiums Earned
	1	2	3	4	5	6	7	8	9	10	
1. Prior	10,900	6,300	(1,000)	(3,000)	3,600	(1,500)	(2,900)	0	(100)	0	0
2. 2015	130,000	139,000	146,000	146,000	146,000	144,000	142,000	142,000	143,000	143,000	0
3. 2016		164,000	181,000	187,000	187,000	186,000	185,000	182,000	182,000	182,000	0
4. 2017			213,000	234,000	239,000	241,000	240,000	235,000	233,000	233,000	0
5. 2018				217,000	225,000	229,000	229,000	227,000	222,000	222,000	0
6. 2019					239,000	252,000	256,000	258,000	255,000	253,000	(2,000)
7. 2020						253,000	256,000	259,000	259,000	255,000	(4,000)
8. 2021							258,000	280,000	285,000	284,000	(1,000)
9. 2022								263,000	285,000	289,000	4,000
10. 2023									279,000	294,000	15,000
11. 2024										305,000	305,000
12. Total											317,000

Commented [JL56]: I added this exhibit to clarify the

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<u>13. Earned</u>	<u>140,900</u>	<u>179,300</u>	<u>236,000</u>	<u>241,000</u>	<u>255,600</u>	<u>267,500</u>	<u>258,100</u>	<u>280,000</u>	<u>296,900</u>	<u>317,000</u>	
<u>Premiums (Sch</u>											
<u>P-Pt. 1)</u>											

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Part 1 EP