

administration services. The processing that TPA5 does for Insurance Company A represents 51% of TPA5's business and revenues.

Equity Method – Insurance Company A would value TPA5 under 9 b. ii. (audited GAAP equity adjusted to SAP or audited SAP equity) as TPA4's revenue from Insurance Company A is greater than 20%.

Example 6:

Insurance Company A holds an 18.77% Partnership Interest in LPA. This fund was organized for the primary purpose of investing in investment vehicles and commodity pools as a “fund of funds” investment manager. The insurer is a limited partner. The general partner is not affiliated with the insurer. Quoting from the limited partnership agreement Section 3.1 – “The general partner shall be vested with the complete control of the business of the fund. The limited partners shall have no responsibility for the management of the fund and shall have no authority or right to act on behalf of the fund or to bind the fund in connection with any matter.” The largest holding on their 12/31/99 audited GAAP financials was \$293.6 million of “Investments in limited partnerships and investment funds, at fair value.” Beyond that they have \$28.0 million of cash and cash equivalents and \$90k of dividends and interest receivable.

Equity Method – Insurance Company A would value LPA under 9 b. iii. (audited GAAP equity) as less than 20% of LPA's investment income is for the benefit of Insurance Company A.

Example 7:

Insurance Company A holds a 25% Partnership Interest in LPB. Similar to the LPA above, LPB is another limited partnership investment where the insurer owns greater than a 10% interest. The LP fund was organized primarily for the purpose of making investments in media businesses. The fund's general partner is not affiliated with the insurer. The general partner manages all of the affairs of the Fund, i.e., controls the business activities of the fund. The largest holding on their 12/31/99 unaudited GAAP financials (assume for this example that audited statements are not and will not be prepared) was \$194.0 million of “Portfolio investments at fair value.” This was made up of a combination of partnership and stock investments. Total assets were \$200.8 million at 12/31/99.

Equity Method – Insurance Company A would value LPB under 9 b. ii. (audited GAAP equity adjusted to SAP or audited SAP equity) as more than 20% of the investment income of LPB is for the benefit of Insurance Company A.

Example 8:

Insurance Company A holds a 25% Partnership Interest in LLP. LLP is a real estate development limited partnership in which the insurer holds a 25% interest as a limited partner. The LLP's general partner is not affiliated with the insurer. The general partner manages the affairs of partnership including decisions on properties to acquire and/or develop. Assets of the partnership include real estate properties, both residential and commercial. Total assets of the partnership are \$1 billion and total liabilities \$500 million, primarily outside debt. LLP prepares annual audited GAAP financial statements, however, they are not completed prior to the insurer filing its annual financial statements.

Equity Method – Insurance Company A would value LLP under 9 b. ii. (audited GAAP equity adjusted to SAP or audited SAP equity) as more than 20% of the investment income of LLP is for the benefit of Insurance Company A.