

**REVISIONS TO
2020 NAIC ANNUAL STATEMENT INSTRUCTIONS – LIFE/FRATERNAL**

DEC 2020

PAGE 255: **NOTES TO FINANCIAL STATEMENTS**
Revision: Modify the instructions for Note 17
Reason: Made changes to 17C per SAPWG 12/15/2020 memo.

PAGE 301: **NOTES TO FINANCIAL STATEMENTS**
Revision: Modify the instructions for Note 33
Reason: Add back instruction for 33D that was inadvertently deleted

PAGE 758: **LONG-TERM CARE FORM 5**
Revision: Modify the instruction for Form 5
Reason: Add instructions on including GT page

DITOR’S NOTE:

The above changes are highlighted on the revised pages that follow.

Recent Blanks (E) Working Group agenda items (exposure drafts) may be viewed in detail at the following website: www.naic.org/cmt_e_app_blanks.htm.

This page intentionally left blank.

C. Wash Sales

A reporting entity shall disclose the following information for wash sales, as defined in *SSAP No. 103R—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* for all affiliated investment transactions (including items originally classified as cash equivalents and short-term investments) and for non-affiliated investment transactions with an NAIC designation of 3 or below, or that do not have an NAIC designation. For non-affiliated investments, all cash equivalents, derivative instruments and short-term investments with credit assessments equivalent to an NAIC 1 or 2 designation are excluded from this disclosure. This disclosure shall be included in the financial statements for when the investment was initially sold. For example, if the investment was sold and is only applicable for sales and purchases that cross quarter-end or year-end reporting periods on Dec. 20, 2020, and reacquired on Jan. 10, 2021, the transaction shall be captured in the wash sale disclosure included in the year-end 2020 financial statements, while an investment sold on May 1, 2020 and reacquired on May 20, 2020 would not be required to be disclosed. (The disclosures shall be made for the current quarter in the quarterly statement, and for the year in the annual statement.)

- (1) A description of the reporting entity’s objectives regarding these transactions; and
- (2) An aggregation of transactions by NAIC Designation 3 or below, or unrated.

Include

- The number of transactions involved during the reporting period;
- The book value of securities sold;
- The cost of securities repurchased; and
- The realized gains/losses associated with the securities involved.

Illustration:

A. Transfers of Receivables Reported as Sales

- (1) During 20__ the company sold \$_____ of agent balances without recourse to the ABC Company.
- (2) The company realized a loss of \$_____ as a result of the sale.

C. Wash Sales

- (1) In the course of the company’s asset management, securities are sold and reacquired within 30 days of the sale date to enhance the company’s yield on its investment portfolio.

THIS EXACT FORMAT MUST BE USED IN THE PREPARATION OF THIS NOTE FOR THE TABLE BELOW. REPORTING ENTITIES ARE NOT PRECLUDED FROM PROVIDING CLARIFYING DISCLOSURE BEFORE OR AFTER THIS ILLUSTRATION.

- (2) The details by NAIC designation 3 or below, or unrated of securities sold during the year ended December 31, 20__ and reacquired within 30 days of the sale date are:

Description	NAIC Designation	Number of Transactions	Book Value of Securities Sold	Cost of Securities Repurchased	Gain (Loss)
_____	_____	_____	\$ _____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____	\$ _____

Note: Examples of values for the Description Column are Bonds, Preferred Stocks, Common Stocks, etc.
 The NAIC Designation Column should indicate 3 through 6 for those transactions for securities that would have been reported with an NAIC Designation if still owned at the end of the reporting period (e.g., bonds and preferred stocks).
 For those transactions for securities that would not have been reported with an NAIC Designation if still owned at the end of the reporting period (e.g., real estate mortgage loans and common stocks), leave the column blank.

18. Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans

Instruction:

Provide information with regard to the profitability to the reporting entity of uninsured accident and health plans and the uninsured portions of partially insured plans for which the reporting entity serves as an Administrative Services Only (ASO) or an Administrative Services Contract (ASC) administrator.

A. ASO Plans

For ASO plans, provide the following information with regard to the profitability to the reporting entity of all ASO plans and the uninsured portions of partially insured plans for which the reporting entity serves as an administrator.

For the total and each category separately provide:

- Net reimbursement for administrative expenses (including administrative fees) in excess of actual expenses
- Total net other income or expense (including interest paid to or received from plans)
- Total net gain or loss from operations
- The claim payment volume

B. ASC Plans

For ASC plans, provide information with regard to the profitability to the reporting entity of all ASC plans and the uninsured portions of partially insured plans for which the reporting entity serves as an ASC administrator.

For the total and each category separately provide:

- Gross reimbursement for medical cost incurred
- Gross administrative fees accrued
- Other income or expense (including interest paid to or received from plans)
- Gross expenses incurred (claims and administrative)
- Total net gain or loss from operations.

C. Medicare or Similarly Structured Cost Based Reimbursement Contract

For a Medicare or similarly structured cost-based reimbursement contract plan, the reporting entity shall include information with regards to:

- (1) Major components of revenue by payor
- (2) Receivables from payors with account balances the greater of 10% of amounts receivable relating to uninsured accident and health plans or \$10,000
- (3) Recorded allowances and reserves for adjustment of recorded revenues
- (4) Adjustments to revenue resulting from audit of receivables related to revenues recorded in the prior period

33. Analysis of Life Actuarial Reserves by Withdrawal Characteristics

Instruction:

Disclose the amounts of account value, cash value and reserve for the breakouts of life insurance by withdrawal characteristics, separately for General Account products, Separate Account with Guarantees products and Separate Account Nonguaranteed products, as follows:

Note: The difference between the account value and the cash value is the surrender charge, if any. After the surrender period is over, there is no difference. Some contract types have no account value such as traditional whole life, term, etc. So, if there is no account value, leave it blank. UL typically has an account value and a cash surrender value.

Just as account values are not reduced for policy loans taken and outstanding, the cash value amount reported in this note should not be reduced for policy loans taken and outstanding. This will ensure the difference between account value and cash value is the actual surrender charge.

- Subject to discretionary withdrawal, surrender values or policy loans:

- ❖ Term Policies with Cash Value
- ❖ Universal Life
- ❖ Universal Life with Secondary Guarantees
- ❖ Indexed Universal Life
- ❖ Indexed Universal Life with Secondary Guarantees
- ❖ Indexed Life
- ❖ Other Permanent Cash Value Life Insurance
- ❖ Variable Life
- ❖ Variable Universal Life
- ❖ Miscellaneous Reserves

- Not subject to discretionary withdrawal or no cash value.

- ❖ Term Policies without Cash Value
- ❖ Accidental Death Benefits
- ❖ Disability - Active Lives
- ❖ Disability - Disabled Lives
- ❖ Miscellaneous Reserves

- Total (Gross: Direct + Assumed).

- Reinsurance ceded.

- Total (net).

$$\text{Total (net)} = \text{Total (Gross: Direct + Assumed)} - \text{Reinsurance ceded}$$

- Reconcile total life insurance reserves amount disclosed to the appropriate sections of the Aggregate Reserves for Life Policies and Contracts Exhibit (Exhibit 5) of the Life, Accident and Health Annual Statement and the corresponding lines in the Separate Accounts Statement. The reconciliation is a single presentation including all amounts from the sections on Individual Life Insurance and Group Life Insurance.

Illustration:

THIS EXACT FORMAT MUST BE USED IN THE PREPARATION OF THIS NOTE FOR THE TABLE BELOW. REPORTING ENTITIES ARE NOT PRECLUDED FROM PROVIDING CLARIFYING DISCLOSURE BEFORE OR AFTER THIS ILLUSTRATION.

		<u>Account Value</u>	<u>Cash Value</u>	<u>Reserve</u>
A.	General Account			
(1)	Subject to discretionary withdrawal, surrender values or policy loans:			
a.	Term Policies with Cash Value	.....	.....	.....
b.	Universal Life	.....	.....	.....
c.	Universal Life with Secondary Guarantees	.....	.....	.....
d.	Indexed Universal Life	.....	.....	.....
e.	Indexed Universal Life with Secondary Guarantees	.....	.....	.....
f.	Indexed Life	.....	.....	.....
g.	Other Permanent Cash Value Life Insurance	.....	.....	.....
h.	Variable Life	.....	.....	.....
i.	Variable Universal Life	.....	.....	.....
j.	Miscellaneous Reserves	.....	.....	.....
(2)	Not subject to discretionary withdrawal or no cash values			
a.	Term Policies without Cash Value	XXX	XXX	.....
b.	Accidental Death Benefits	XXX	XXX	.....
c.	Disability – Active Lives	XXX	XXX	.....
d.	Disability – Disabled Lives	XXX	XXX	.....
e.	Miscellaneous Reserves	XXX	XXX	.....
(3)	Total (gross: direct + assumed)	.....	.....	.....
(4)	Reinsurance Ceded	.....	.....	.....
(5)	Total (net) (3) - (4)	.....	.....	.....
		<u>Account Value</u>	<u>Cash Value</u>	<u>Reserve</u>
B.	Separate Account with Guarantees			
(1)	Subject to discretionary withdrawal, surrender values or policy loans:			
a.	Term Policies with Cash Value	.....	.....	.....
b.	Universal Life	.....	.....	.....
c.	Universal Life with Secondary Guarantees	.....	.....	.....
d.	Indexed Universal Life	.....	.....	.....
e.	Indexed Universal Life with Secondary Guarantees	.....	.....	.....
f.	Indexed Life	.....	.....	.....
g.	Other Permanent Cash Value Life Insurance	.....	.....	.....
h.	Variable Life	.....	.....	.....
i.	Variable Universal Life	.....	.....	.....
j.	Miscellaneous Reserves	.....	.....	.....
(2)	Not subject to discretionary withdrawal or no cash values			
a.	Term Policies without Cash Value	XXX	XXX	.....
b.	Accidental Death Benefits	XXX	XXX	.....
c.	Disability – Active Lives	XXX	XXX	.....
d.	Disability – Disabled Lives	XXX	XXX	.....
e.	Miscellaneous Reserves	XXX	XXX	.....
(3)	Total (gross: direct + assumed)	.....	.....	.....
(4)	Reinsurance Ceded	.....	.....	.....
(5)	Total (net) (3) - (4)	.....	.....	.....

- Column 6 – Number of Lives In-force Year End
Total number of lives in force at the end of the year. Joint certificates are to be counted as two lives.
- Column 7 – Number of Terminations
Total number of certificate holders whose coverage ended during the year for any reason including death, lapse, or benefit exhaustion.
- Column 8 – Number of New Lives Insured
Total number of new lives issued LTC certificates during the year. Values in rows that are labeled “inception-to-date” should be the sum of all new lives insured in each year during which the form was sold.

INSTRUCTIONS FOR FORM 5

Standalone and Hybrid Products – Direct State Reporting (\$000 Omitted)

Form 5 provides LTC sales and claims experience on a state-by-state basis. These are the state's portion of a number of statistics reported on a nationwide basis elsewhere in these experience forms. Form 5 also includes data on products that include extension of and/or acceleration of LTC benefits on life policies or annuity contracts. In addition, a schedule must be prepared that contains the grand total (GT) for the company.

DEFINITIONS AND FORMULAS

Current

Current calendar year of reporting.

Total Inception-to-Date

Aggregate experience data since issuance of policies.

Stand-alone LTC

An LTC product that is sold by itself, not as a rider on another type of insurance.

LTC Hybrid Accelerated Benefits Riders

Riders attached to life insurance or annuity products that allow for a benefit to be claimed upon the occurrence of a long-term care need at the cost of reduction in the death benefit or annuity payout benefit.

LTC Hybrid Extended Benefit Riders

Riders attached to life insurance or annuity products that allow for a benefit to be claimed above and beyond the initial benefit amount in the event that all accelerated benefits have been claimed and the insured is still in need of long-term care services.

Column 1 – Number of New Lives Insured

Total number of new lives issued LTC or hybrid policies during the year. Values in rows that are labeled "inception-to-date" should be the sum of all new lives insured in each year during which the form was sold.

Column 2 – Number of Lives In-force Year End

Total number of lives in force at the end of the year. Joint policies are to be counted as two lives.

Column 3 – Earned Premiums

Collected Premiums + Change in Due Premiums – Change in Advanced Premiums – Change in Unearned Premium Reserves.

If necessary, the premium may be derived as the gross premium of the policy with the inclusion of LTC coverage less the gross premium of that policy without LTC coverage.