

**NAIC BLANKS (E) WORKING GROUP**

**Blanks Agenda Item Submission Form**

<p align="right">DATE: <u>12/10/2025</u></p> <p>CONTACT PERSON: _____</p> <p>TELEPHONE: _____</p> <p>EMAIL ADDRESS: _____</p> <p>ON BEHALF OF: _____</p> <p>NAME: <u>Dale Bruggeman</u></p> <p>TITLE: <u>Chair SAPWG</u></p> <p>AFFILIATION: <u>Ohio Department of Insurance</u></p> <p>ADDRESS: <u>50W. Town St., 3<sup>rd</sup> Fl., Ste. 300</u> <u>Columbus, OH 43215</u></p>	<p align="center"><b>FOR NAIC USE ONLY</b></p> <p>Agenda Item # <u>2025-26BWG MOD</u></p> <p>Year <u>2026</u></p> <p>Changes to Existing Reporting <input checked="" type="checkbox"/> [ X ]</p> <p>New Reporting Requirement <input type="checkbox"/> [ ]</p> <hr/> <p align="center"><b>REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT</b></p> <p>No Impact <input checked="" type="checkbox"/> [ X ]</p> <p>Modifies Required Disclosure <input type="checkbox"/> [ ]</p> <p>Is there data being requested in this proposal which is available elsewhere in the Annual/Quarterly Statement? <input type="checkbox"/> [ No ]</p> <p><i>***If Yes, complete question below***</i></p> <p align="center"><b>DISPOSITION</b></p> <p><input type="checkbox"/> [ ] Rejected For Public Comment</p> <p><input type="checkbox"/> [ ] Referred To Another NAIC Group</p> <p><input type="checkbox"/> [ ] Received For Public Comment</p> <p><input type="checkbox"/> [ ] Adopted Date _____</p> <p><input type="checkbox"/> [ ] Rejected Date _____</p> <p><input checked="" type="checkbox"/> [ X ] Deferred Date <u>3/5/2026</u></p> <p><input type="checkbox"/> [ ] Other (Specify) _____</p>
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**BLANK(S) TO WHICH PROPOSAL APPLIES**

- |   |  |   |
|---|--|---|
| <input checked="" type="checkbox"/> [ X ] ANNUAL STATEMENT                  | <input checked="" type="checkbox"/> [ X ] INSTRUCTIONS | <input type="checkbox"/> [ ] CROSSCHECKS              |
| <input type="checkbox"/> [ ] QUARTERLY STATEMENT                            | <input checked="" type="checkbox"/> [ X ] BLANK        |   |
| <input checked="" type="checkbox"/> [ X ] Life, Accident & Health/Fraternal | <input type="checkbox"/> [ ] Separate Accounts         | <input checked="" type="checkbox"/> [ X ] Title       |
| <input checked="" type="checkbox"/> [ X ] Property/Casualty                 | <input type="checkbox"/> [ ] Protected Cell            | <input type="checkbox"/> [ ] Other _____              |
| <input checked="" type="checkbox"/> [ X ] Health                            | <input type="checkbox"/> [ ] Health (Life Supplement)  | <input type="checkbox"/> [ ] Life (Health Supplement) |

Anticipated Effective Date: Annual 2026

**IDENTIFICATION OF ITEM(S) TO CHANGE**

Update the annual statement expense categories and instructions to remove outdated expense terminology and update to reflect the current types of expenses that exist for companies.

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

The purpose of this proposal is to update the expense categories based on a review of the current instructions at the request of comments from industry. This proposal will remove outdated terminology and also update expense categories to reflect current types of expenses. (SAPWG Ref. 2025-33)

**\*\*\*IF THE DATA IS AVAILABLE ELSEWHERE IN THE ANNUAL/QUARTERLY STATEMENT, PLEASE NOTE WHY IT IS REQUIRED FOR THIS PROPOSAL\*\*\***

**NAIC STAFF COMMENTS**

Comment on Effective Reporting Date: \_\_\_\_\_

Other Comments:

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

## **ANNUAL STATEMENT INSTRUCTIONS – PROPERTY**

### **APPENDIX**

#### **INSTRUCTIONS FOR UNIFORM CLASSIFICATIONS OF EXPENSES OF**

##### **PROPERTY AND CASUALTY INSURERS**

For the purpose of establishing uniformity in classifications of expenses of property and casualty insurers recorded in statements and reports filed with and statistics reported to Insurance Departments, all such insurers shall observe the instruction set forth below. Refer to *SSAP No. 63—Underwriting Pools* for accounting guidance.

#### **LIST OF OPERATING EXPENSE CLASSIFICATIONS FOR ANNUAL STATEMENT PURPOSES**

1. Claim Adjustment Services
  - 1.1 Direct
  - 1.2 Reinsurance Assumed
  - 1.3 Reinsurance Ceded
2. Commission and Brokerage
  - 2.1 Direct excluding contingent
  - 2.2 Reinsurance Assumed excluding contingent
  - 2.3 Reinsurance Ceded excluding contingent
  - 2.4 Contingent—Direct
  - 2.5 Contingent—reinsurance assumed
  - 2.6 Contingent—reinsurance ceded
  - 2.7 Policy and Membership Fees
3. Allowances to Managers and Agents
4. Advertising
5. Boards, Bureaus, and Associations
6. Surveys and Underwriting Reports
7. Audit of Assureds' Records
8. Salary and Related Items
  - 8.1 Salaries
  - 8.2 Payroll taxes
9. Employee Relations and Welfare

10. Insurance
11. Directors' Fees
12. Travel and Travel Items
13. Rent and Rent Items
14. Equipment
15. Cost or Depreciation of EDP Equipment and Software
16. Printing and Stationery
17. Postage, and Telephone and Telegraph, Exchange and Express
18. Legal and Auditing
20. Taxes, Licenses and Fees
  - 20.1 State and Local Insurance Taxes deducting guaranty association credits
  - 20.2 Insurance Department Licenses and Fees
  - 20.3 Guaranty Association Assessments
  - 20.4 Other (excluding Federal Income and Real Estate)
21. Real Estate Expenses
22. Real Estate Taxes
24. Miscellaneous

## RULES RELATING TO OPERATING EXPENSE CLASSIFICATIONS

### 1. CLAIM ADJUSTMENT SERVICES

#### 1.1 Direct

Include: The Following Expenses When in Connection With the Investigation and Adjustment of Policy Claims:

Independent Adjusters: Fees and expenses of independent adjusters or settling agents

Legal: Fees and expenses of lawyers for legal services in the defense, trial, or appeal of suits, or for other legal services

Bonds: Premium costs of bonds

Appeal Costs and Expenses: Appeal bond premiums, charges for printing records, charges for printing briefs, court fees and incidental to appeals

General Court Costs and Fees: Entry fees and other court costs, and other fees not includible in Losses (Note: Interest and costs assessed as part of or subsequent to judgment are includible in Losses.)

Medical Testimony: Fees and expenses of medical witnesses of attendance or testimony at trials or hearings ("Medical" includes physicians, surgeons, chiropractors, chiropodists, dentists, osteopaths, veterinarians, and hospital representatives.)

Expert Witnesses: Fees and expenses of expert witnesses for attendance or testimony at trials or hearings

Lay Witnesses: Fees and expenses of lay witnesses for attendance or testimony at trials or hearings

Services of Process: Constables, sheriffs, and other fees and expenses for service of process, including subpoenas

Transcripts of Testimony: Stenographers' fees and fees for transcripts of testimony

Medical Examinations: Fees for medical examinations, fees for performing autopsies, fees for impartial examination, x-rays, etc., for the purpose of trial and determining questions of liability (This does not include fees for medical examinations, x-rays, etc., made to determine necessary treatment, or made solely to determine the extent or continuation of disability, or first aid charges, as such fees and charges are includible in Losses.)

Miscellaneous: Costs of appraisals, expert examinations, surveys, plans, estimates, photographs, maps, weather reports, detective reports, audits, credit or character reports, watchmen (Charges for hospital records and records of other kinds, notary fees, certified copies of certificates and legal documents, charges for Claim Adjustment Services by underwriting syndicates, pools, and associations)

Exclude: Compensation to employees (see Salaries)

Expenses of salaried employees (see Travel and Travel Items)

Items includible in Allowances to Managers and Agents

Payments to State Industrial Commissions (see Taxes, Licenses, and Fees)

Payments to claim adjusting organizations except where the expense is billed specifically to individual companies (see Boards, Bureaus, and Associations)

Cost of services of medical examiners for underwriting purposes (see Surveys and Underwriting Reports)

Salvage and subrogation recovery expense, rewards, lost and found advertising, expenses for disposal of salvage (Such expenses shall be deducted from salvage.)

Any expenses which by these instructions are includible elsewhere

Separation of Claim Adjustment Services:

The Statistical Plans filed by certain rating bureaus contain definitions of “Allocated Loss Adjustment Expenses” which exclude for rating purposes certain types of claim adjustment services as defined herein. For the lines of business thus affected, companies that are members of such rating bureaus shall maintain records necessary to the reporting of Claim Adjustment Services—Direct, as follows:

- a. As defined in Statistical Plans
- b. Other than as defined in Statistical Plans

**1.2 Reinsurance Assumed**

Include: Claim adjustment expenses in bills rendered by ceding companies

**1.3 Reinsurance Ceded**

Include: Claim adjustment expenses billed to assuming entities

**2. COMMISSION AND BROKERAGE**

**2.1 Direct excluding contingent**

Include: All payments, reimbursements and allowances, on direct writings, computed as a percentage of premiums for production, management, or other services to:

- |                              |                            |
|------------------------------|----------------------------|
| Managers                     | Office Agents              |
| Supervising General Agents   | Brokers                    |
| General Agents               | Solicitors                 |
| Regional and District Agents | Other producers and agents |
| Local Agents                 |                            |

Commissions and brokerage to employees when the activities for which the commissions are paid are not a part of their duties as employees.

Exclude: Compensation to employees except as noted above (see Salaries)

Allowances, reimbursements and payments not computed as a percentage of premiums (see Allowances to Managers and Agents)

Expenses involved in transactions between insurance companies (see Joint Expenses; Commission and Brokerage—Reinsurance Assumed and Ceded; Expenses for Account of Another, and Income from Special Services)

Contingent commission (see Commission and Brokerage—Contingent)

Fees of investment counsel (see Legal and Auditing)

Expenses includible in Boards, Bureaus, and Associations

Taxes on premiums (see Taxes, Licenses, and Fees)

Commission received for special services such as loss adjustment and inspection not related to policies issued by the company (see Income from Special Services)

## **2.2 Reinsurance Assumed excluding contingent**

Commission and allowances of every nature on reinsurance assumed including tax and board allowances and reinsurance brokerage, except contingent commission, should be included in Commission and Brokerage—Reinsurance Assumed

Exception: Where commission and allowances under reinsurance assumed take the form of accurate proportions of actual expenses incurred, as in some quota share and pooling arrangements, entries shall be made to the actual expenses.

## **2.3 Reinsurance Ceded excluding contingent**

Commission and allowances of every nature on reinsurance ceded including tax and board allowances and reinsurance brokerage, except contingent commission, shall be included in Commission and Brokerage-Reinsurance Ceded.

Exception: Where commission and allowances under reinsurance ceded take the form of accurate proportions of actual expenses incurred, as in some quota share and pooling agreements, entries shall be made to the actual expenses.

Commissions and fee allowances received from FEMA should be reported consistent with reinsurance ceding commissions. Refer to *SSAP No. 62R—Property and Casualty Reinsurance*.

### **Examples Relating to the Treatment of Commission on Reinsurance Assumed and Reinsurance Ceded**

1. Company A cedes business to Company B under a treaty specifying a commission of 35% and an allowance for taxes and board fees of 5%. On the statement filed by Company A, both the 35% and the 5% shall be entered in Commission and Brokerage—Reinsurance Ceded. On the statement filed by Company B, both the 35% and the 5% shall be entered in Commission and Brokerage—Reinsurance Assumed.

2. Company A cedes 10% of all of its business to Company B under an agreement whereby Company B pays 10% of all actual expenses on such business incurred by Company A. Assume the expenses of Company A on the business reinsured as follows:

	Paid on Written Business
Commission and Brokerage - Direct	\$ 100,000
Salaries	30,000
Rent and Rent Items	7,000
Printing and Stationary	7,000
Postage, etc.	5,000
Surveys and Underwriting Reports	8,000
	<u>0</u>
Total	<u>\$ 157,000</u>

(NOTE: These are not intended to show the complete list of expenses involved but are given only for illustrative purposes.)

On the statement filed by Company A the commission and allowances by Company B shall be credited as follows:

	Paid on Written Business
Commission and Brokerage - Ceded	\$ 10,000
Salaries	3,000
Rent and Rent Items	700
Printing and Stationary	700
Postage, etc.	500
Surveys and Underwriting Reports	800
Total	<u>\$ 15,700</u>

On the statement filed by Company B the commission and allowances made to Company A shall be debited as follows:

	Paid on Written Business
Commission and Brokerage – Reinsurance Assumed	\$ 10,000
Salaries	3,000
Rent and Rent Items	700
Printing and Stationary	700
Postage, etc.	500
Surveys and Underwriting Reports	800
Total	<u>\$ 15,700</u>

#### 2.4 Contingent Direct

Contingent or profit commission paid

Contingent or profit commission received

Contingent commission to employees when the activities for which the contingent commission is paid is not a part of their duties as employees

#### 2.5 Contingent reinsurance assumed

#### 2.6 Contingent reinsurance ceded

## 2.7 Policy and Membership Fees

Include: Policy and membership fees retained by or paid to agents

Policy and membership fees to employees when the activities for which the policy and membership fees are paid are not a part of their duties as employees

## 3. ALLOWANCES TO MANAGERS AND AGENTS

Include: Net allowances, reimbursements and payments for expenses of every nature, not computed as a percentage of premiums, to managers, agents, brokers, solicitors, and other producers

Exclude: Compensation to employees (see Salaries)

Expenses of salaried employees (see Travel and Travel Items)

Expenses of management where one insurance company has been appointed manager for another (see Joint Expenses; Commission and Brokerage—Reinsurance Assumed and Ceded; and Expenses for Account of Another)

Contingent commission (see Commission and Brokerage—Contingent)

Policy and membership fees (see Commission and Brokerage—Policy and Membership Fees)

Expenses in connection with owned real estate (see Real Estate Expenses)

Amounts representing exact reimbursements for Losses, Taxes, Licenses and Fees, Boards, Bureaus and Associations, and Advertising, where only the minimum space required by law is taken

Amounts representing exact reimbursements for Claim Adjustment Services, Surveys and Underwriting Reports and Audit of Assureds' Records when these services are performed by others than employees of managers, agents, brokers, solicitors or other producers

## 4. ADVERTISING

Include: Services of advertising agents

Public relations counsel

Space in newspapers, periodicals, billboards, programs, and other publications including electronic formats

Circulars, pamphlets, calendars, and literature issued for advertising or promotional purposes

Drawings, plates, etchings, etc., in connection with advertising

All charges for printing, paper, etc., in bills covering advertising

Media broadcasts (e.g., radio, television, etc.)

Prospect and mailing lists

Signs, frames, medals, etc., for agents

Souvenirs for general distribution

House organs (in-house periodical or employee periodical) and similar publications distributed to others than employees

Advertising required by law when more than the minimum space required to comply with the law is taken

Exclude: Compensation to employees (see Salaries)

Items includible in Travel and Travel Items, Claim Adjustment Services, and Boards, Bureaus, and Associations

Cost of literature, booklets, placards, signs, etc., issued solely for accident and loss prevention (see Surveys and Underwriting Reports)

Advertising and business development expenses allowed, reimbursed or paid to managers, agents, brokers, solicitors, and other producers (see Allowances to Managers and Agents)

Cost of help wanted advertising (see Employee Relations and Welfare)

Cost of advertising in connection with owned real estate (see Real Estate Expenses)

Cost of house organs (in-house periodical or employee periodical) and similar publications for the use of employees (see Printing and Stationery)

Donations to organized charities (see Miscellaneous)

Cost of souvenirs not generally distributed (see Travel and Travel Items)

## 5. **BOARDS, BUREAUS, AND ASSOCIATIONS**

Include: Dues, assessments, fees and charges of:

Underwriting boards, rating organizations, statistical agencies, inspection and audit bureaus

Underwriters' advisory and service organizations

Accident and loss prevention organizations

Claim organizations

Specific payments to boards, bureaus and associations for rate manuals, revisions, fillers, rating plans, and experience data

Exclude: Cost of inspection, engineering, or accident and loss prevention billed specifically to individual companies (see Surveys and Underwriting Reports)

Loss adjustment expenses billed specifically to individual companies (see Claim Adjustment Services)

Allowances under reinsurance contracts for board and bureau expenses (see Commission and Brokerage—Reinsurance Assumed and Ceded)

Payments to State Industrial Commissions (see Taxes, Licenses, and Fees)

Payments into State Security Funds (see Taxes, Licenses, and Fees)

Commission and Brokerage, Claim Adjustment Services, and Taxes, Licenses and Fees of underwriting syndicates, pools, and associations

Cost of Survey, credit, moral hazard, character, and commercial reports obtained for underwriting purposes (see Surveys and Underwriting Reports)

Cost of commercial reporting services (see Surveys and Underwriting Reports)

Dues and subscriptions to social or civic clubs or affairs (see Travel and Travel Items)

Dues and subscriptions to accounting, legal, actuarial or similar societies and associations (see Travel and Travel Items)

## **6. SURVEYS AND UNDERWRITING REPORTS**

**Include:** Survey, credit, moral hazard, character, and commercial reports obtained for underwriting purposes

Commercial reporting services

Appraisals for underwriting purposes

Fire records

Inspection, engineering, and accident and loss prevention billed specifically

Literature, booklets, placards, signs, etc., issued solely for accident and loss prevention

Maps and corrections

Services of medical examiners for underwriting purposes

**Exclude:** Compensation to employees (see Salaries)

Expenses of salaried employees (see Travel and Travel Items)

Items includible in Boards, Bureaus, and Associations, Claim Adjustment Services, and Allowances to Manager and Agents

Cost of character or credit reports on employees or applicants for employment (see Employee Relations and Welfare)

Fees for physical examination of employees or applicants for employment (see Employee Relations and Welfare)

Income from inspections, which shall be classified in accordance with the instruction "Income from Special Services"

## **7. AUDIT OF ASSURED'S RECORDS**

**Include:** Auditing fees and expenses of independent auditors for auditing payrolls and other premium bases

**Exclude:** Compensation to employees (see Salaries)

Expenses of salaried employees (see Travel and Travel Items)

Items includible in Claim Adjustment Services

Items includible in Allowances to Managers and Agents

**8. SALARY AND RELATED ITEMS**

**8.1 Salaries**

Include: Salaries, bonus, overtime, contingent compensation, pay while on leave, dismissal allowance, pay while training and other compensation of employees

Commission and brokerage to employees when the activities for which the commission is paid are a part of their duties as employees

Exclude: Salaries or wages of janitors, caretakers, maintenance workers and agents paid in connection with owned real estate (see Real Estate Expenses)

**8.2 Payroll Taxes**

Include: Employer FICA, FUTA, SUTA, and other federal state and local payroll taxes~~Old age benefit taxes~~

~~Unemployment insurance taxes~~

Exclude: Payroll taxes includible in Real Estate Taxes

**9. EMPLOYEE RELATIONS AND WELFARE**

**A. Pensions and Insurance Benefits for Employees**

Include: Cost of retirement insurance

Payments or appropriations to funds irrevocably devoted to the payment of pensions or other employees' benefits

Pensions or other retirement allowances

Accident, health and hospitalization insurance for employees

Group life insurance for employees

Workers' compensation insurance

Payments to or on behalf of employees under self-insurance

Any other insurance for the benefit of employees

Exclude: Cost of insurance on lives of employees when the ~~company~~ reporting entity is the beneficiary

Payments or appropriations to pension funds not irrevocably devoted to the payment of pensions or other employees' benefits (such payments or appropriations shall not appear among expenses.)

Items includible in Real Estate Expenses

All other types of insurance premiums

**B. All Other**

- Include:
- Advertising—help wanted
  - Training and welfare of employees
  - Physical examinations of employees or applicants for employment
  - Character or credit reports on employees or applicants for employment
  - Gatherings, outings and entertainment for employees
  - Visiting nurse service for or on behalf of employees
  - Medical and hospital bills for employees (not covered by 9A)
  - Direct payments, other than salaries, to employees for injury and sickness (not covered by 9A)
  - ~~Supper money~~ Overtime meals
  - Donations to or on behalf of employees
  - Food and catering for employees
- Exclude:
- Salaries, bonus, overtime, contingent compensation, pay while on leave, dismissal allowances, pay while training and other compensation of employees (see Salaries)
  - Items includible in Real Estate Expenses
  - Cost of house organs (in-house periodical or employee periodical) and similar publications (see Advertising, and Printing and Stationery)

**10. INSURANCE**

- Include:
- Fidelity or surety bonds covering employees and agents
  - Burglary, and robbery insurance premiums
  - Public liability insurance premiums (Excluding owned Real Estate)
  - Premiums for insurance on office contents
  - Cost of insurance on automobiles
  - All other insurance premiums not specifically provided for in other operating accounts
- Exclude:
- Items includible in Employee Relations and Welfare
  - Items includible in Real Estate expenses

## 11. DIRECTORS' FEES

- Include: Directors' fees and other compensation of directors for attendance at board or committee meetings
- Other fees, compensation, and expenses paid to directors
- Exclude: Commission to directors for the production of business (see Commission and Brokerage—Direct)

## 12. TRAVEL AND TRAVEL ITEMS

- Include: Transportation, hotel, meals, postage, shipping, delivery, telephone, ~~telegraph, express~~ and incidental living expenses of employees while traveling
- Expenses for transfer of employees
- Depreciation, repairs and other operating expenses of automobiles
- Rent of automobiles
- Fees for automobile ~~license plates~~ registration
- Cost of transportation, hotel, meals and entertainment of guests
- Cost of favors and presents given or extended to others than employees
- Cost of souvenirs not generally distributed
- Dues and subscriptions to social or civic clubs or affairs
- Dues and subscriptions to accounting, legal, actuarial, or similar societies and associations
- Exclude: Items includible in Salaries, Advertising, Commission and Brokerage, Taxes, Licenses and Fees, Boards, Bureaus and Associations, and Equipment
- Cost of gatherings, outings, etc., and entertainment for employees (see Employee Relations and Welfare)
- Travel and Travel Items expenses paid, reimbursed, or allowed to managers, agents, brokers, solicitors and other producers (see Allowances to Managers and Agents)
- Items includible in Real Estate Expenses
- Donations to organized charities (see Miscellaneous)
- Cost of souvenirs for general distribution (see Advertising)

### 13. RENT AND RENT ITEMS

- Include:
- Rent of home office and branch offices
  - Rent for space occupied in buildings owned
  - Light, heat, power and water charges in leased premises
  - Interest, taxes, etc., paid in lieu of rent for leased premises
  - Cost of alternations and repairs of leased premises
  - Rent of storage, safekeeping and warehouse space
  - Rent of safe deposit boxes
  - Rent of post office boxes
  - Time clock service charges
  - Cost of cleaning, towels, ice, water, electric lamp replacements and other expenses incidental to office maintenance
- Exclude:
- Compensation to employees (see Salaries)
  - Rent of automobiles (see Travel and Travel Items)
  - Rent allowed, reimbursed, or paid to managers, agents, brokers, solicitors and other producers (see Allowances to Managers and Agents)
  - Items includible in Real Estate Expenses
  - Rent income from owned real estate

### 14. EQUIPMENT

- Include:
- Rent and repairs of furniture, equipment, and office machines (including printers' equipment, postage machines and data processing equipment)
  - Depreciation on furniture, equipment and office machines (including printers' equipment, postage machines and data processing equipment)
- Exclude:
- Compensation to employees (see Salaries)
  - Rent, repairs and depreciation of automobiles (see Travel and Travel Items)
  - Cost of insurance on automobiles (see Insurance)
  - Cost of alterations and repairs of leased premises (see Rent and Rent Items)
  - Equipment expenses allowed, reimbursed or paid to managers, agents, brokers, solicitors and other producers (see Allowances to Managers and Agents)
  - Items includible in Real Estate Expenses

## 16. PRINTING AND STATIONERY

Include: Printing, stationery and office supplies such as: letterhead, envelopes, paper stock, printed forms or manuals, adding machine tape, ~~carbon paper~~, binders and posts, ~~photostatic copies~~, pencils, pens, leads, ink, glue, stamps and stamp pads, staplers, staples, clips and pins, desk top equipment (calendars, trays, etc.), waste baskets, analysis pads, ledgers, journals, minute books, etc.

Policies and policy forms

House organs (in-house periodical or employee periodical) and similar publications for the use of employees

Books, newspapers and periodicals including investment, tax and legal publications and services whether in print or electronic format

Exclude: Compensation to employees (see Salaries)

Specific payments to boards, bureaus and associations for rate manuals, revisions, fillers, rating plans and experience data (see Boards, Bureaus and Associations)

Literature, booklets, placards, signs, etc., issued solely for accident and loss prevention (see Surveys and Underwriting Reports)

Items includible in Claim Adjustment Services

Items includible in Advertising

Printers' equipment in company owned printing departments (see Equipment)

Printing and stationery allowed, reimbursed or paid to managers, agents, brokers, solicitors and other producers (see Allowances to Managers and Agents)

House organs (in-house periodical or employee periodical) and similar publications distributed to others than employees (see Advertising)

Commercial reporting services (see Surveys and Underwriting Reports)

Items includible in Real Estate Expenses

## 17. ~~POSTAGE, AND TELEPHONE AND TELEGRAPH, EXCHANGE AND EXPRESS~~

Include: ~~Express, freight, shipping, delivery,~~ and cartage

Postage

Cost of telephone ~~and telegrams, cable, radiograms and teletype~~

Bank charges for collection and exchange

Exclude: Compensation to employees (see Salaries)

Rent, repairs and depreciation of postage machines (see Equipment)

~~Postage, shipping, delivery, and~~ telephone, ~~telegraph and express~~ of employees while traveling (see Travel and Travel Items)

Postage, ~~shipping, delivery, and~~ telephone ~~and telegraph, exchange, and express~~ allowed, reimbursed or paid to managers, agents, brokers, solicitors and other producers (see Allowances to Managers and Agents)

Profits or losses resulting from exchange on remittances to Home Office by a United States Branch. Such profits or losses shall not be included in expenses

Items includible in Real Estate Expenses

Rent of post office boxes (see Rent and Rent Items)

## **18. LEGAL AND AUDITING**

- Include:
- Legal retainers, fees and other legal expenses (except on losses and salvage)
  - Auditing fees of independent auditors for examining records of home and branch offices
  - Cost of services of tax experts
  - Fees of investment counsel
  - Registrar fees
  - Custodian fees
  - Trustees' fees
  - Transfer agent fees
  - Fees and expenses of others than employees, for collecting balances
  - Notary fees
- Exclude:
- Compensation to employees (see Salaries)
  - Expenses of salaried employees (see Travel and Travel Items)
  - Items includible in Claim Adjustment Services
  - Items includible in Real Estate Expenses
  - Cost of auditing of assureds' records (see Audit of Assureds' Records)

## **20. TAXES, LICENSES AND FEES**

### **20.1 State and Local Insurance Taxes deducting guaranty association assessment association credits**

- Include:
- State, county and municipal taxes, licenses and fees based upon premiums
  - Fire Patrol assessments
  - Payments to State Industrial (or other) Commissions for administration of Workers' Compensation or other State Benefit Acts (including assessments for administering Financial Responsibility Laws) regardless of basis of assessment

Net payments to State Security Funds, Reopened Case Funds, Second Injury Funds and other State Funds, when construed by the ~~company~~ reporting entity as operating expenses, regardless of basis of assessment

Exclude: Allowances for taxes under reinsurance contracts (see Commission and Brokerage Reinsurance Assumed and Ceded)

## **20.2 Insurance Department Licenses and Fees**

Include: Agents' licenses  
Certificates of authority, compliance, deposit, etc.  
Filing fees  
Fees and expenses of examination by insurance departments or other governmental agencies

Exclude: Items includible in Claim Adjustment Services

## **20.4 All Other (Excluding Federal Income and Real Estate)**

Include: Qualifying bond premiums  
Statement publication fees  
Advertising required by law  
Personal property taxes  
State income taxes  
Capital stock taxes  
Business or corporation licenses or fees (not includible under 20.1 or 20.2)  
Marine profits taxes  
Documentary stamps on reinsurance  
Any other taxes not assignable under 20.1, 20.2, and 20.3 and not otherwise excluded

Exclude: Cost of advertising required by law where more than minimum space required to comply with the law is taken. Such expense shall be included in Advertising.  
Real estate taxes, licenses and fees (see Real Estate Taxes)  
Items includible in Claim Adjustment Services  
Fees for automobile license plates (see Travel and Travel Items)  
Federal income tax  
Sales taxes, etc., included on invoices of vendors. Such taxes are to follow allocation of cost of items purchased.

**21. REAL ESTATE EXPENSES**

- Include:
- Salaries, wages and other compensation of janitors, caretakers, maintenance workers and agents paid in connection with owned real estate
  - Cost of operating and maintaining owned real estate
  - Cost of insurance in connection with owned real estate
  - Cost of advertising in connection with owned real estate

**22. REAL ESTATE TAXES**

- Include: Taxes, licenses and fees on owned real estate

**24. MISCELLANEOUS**

Expenses not listed as includible in other operating expense classifications, and not analogous thereto, shall be included in "Miscellaneous." Specifically, the following shall be included:

- Cost of tabulating service when such service is rendered by outside organizations
- Amounts received and handled in accordance with the Instruction "Income from Special Services"
- Donations to organized charities
- Differences between actual amounts paid, and amounts apportioned in accordance with the Instruction "Joint Expenses"

## GENERAL INSTRUCTIONS IN CONNECTION WITH OPERATING EXPENSE CLASSIFICATIONS

### **A. Joint Expenses**

Whenever personnel or facilities are used in common by two or more companies, or whenever the personnel or facilities of one company are used in the activities of two or more companies, the expenses involved shall be apportioned in accordance with the instructions relating to Joint Expenses, and such apportioned expenses shall be allocated by each company to the same operating expense classifications as if the expenses had been borne wholly. Any difference between the actual amount paid, and the amount of such apportioned expenses shall be included in the operating expense classification "Miscellaneous."

This instruction does not apply to the allocation of the following, which are covered by separate instructions herein:

Reinsurance commission and allowances (see Commission and Brokerage—Reinsured Assumed and Ceded)

Commission and brokerage paid to managers and agents (see Commission and Brokerage—Direct)

Allowances to managers and agents (see Allowances to Managers and Agents)

Expenses allocable in accordance with the instruction "Income from Special Services"

### **B. Expenses for Account of Another**

Whenever expenses are paid by one company for account of another, the payments shall not appear among the expenses reported by the former and shall be included by the latter in the same expense classifications as if originally paid by it.

### **C. Income from Special Services**

Whenever an insurance company receives compensation for sales or services, such as loss adjustment or inspection not related to policies written by the company, and such compensation is not calculated as a joint expense reimbursement, the amount thereof shall be included in the operating expense classification "Miscellaneous." Where an insurance company pays the compensation, allocation shall be made to the expense classification dictated by the nature of the expense.

Reinsurance commission and allowances (see Commission and Brokerage—Reinsurance Assumed and Ceded)

Expenses incurred for the benefit of companies in the same group or fleet are covered by the instruction "Joint Expenses."

### **D. Analogous Items**

The lists of expenses includible in the operating expense classifications are representative and do not exclude analogous items that are omitted from the lists.

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## **ANNUAL STATEMENT INSTRUCTIONS – LIFE/FRATERNAL**

### **EXHIBIT 2 – GENERAL EXPENSES**

General expense items must be itemized and entered in sufficient detail to indicate their precise nature. General expenses include virtually all of the expenses of a life insurance company other than benefits to policyholders; commissions; and taxes, licenses and fees.

The statutory financial statement provides for two broad categories of general expenses: (1) insurance, subdivided into life insurance, accident and health insurance, and all other lines of business; and (2) investment. In addition, the Analysis of Operations by Lines of business requires allocation of general expenses to more detailed lines of business. The Summary of Operations classifies the investment expense portion of general expenses as an offset to investment income while classifying general insurance expenses separately in the expense section of the summary.

#### **General Expenses Due or Accrued**

The amount included in the balance sheet under this caption represents the ~~company's reporting entities'~~ liability for general expenses applicable to the current year that are unpaid at year end. There are a number of guidelines to consider with respect to whether an item represents a liability of the ~~company reporting entity~~ at the statement date. Distinguish between: (1) bills for items purchased or services rendered; and (2) the recognition of accruals for such things as payroll. With respect to accruals, the liability should be established so that each period bears its pro rata share of the expense even though no bill has been received. Accrual payroll, for example, represents the cost for the period from the last payroll to period-end.

Generally, the liability for purchases of supplies and materials should be established as of the receipt date or shipment date if FOB. If a ~~company reporting entity~~ has an irrevocable contract as of the statement date, the liability must be established even though the supplies or materials have not been received.

#### **Functional Costs**

General expenses are not to be reported on a functional basis unless specifically permitted and then only if: (1) services are independently organized; (2) rent, salaries and wages, and other major items of direct expense are charted to the functions; and (3) adequate accounting for the functional classifications is maintained. Those expense classifications that companies may specifically report on a functional basis are rent, salaries and wages, other employee and agent welfare and printing and stationery.

#### **Allocation of Expenses**

As stated above, companies must allocate general expenses to life insurance, accident and health insurance, or investment expense. The "All Other Lines of Business" category should include the corporate overhead line of business where that normal designation exists. In addition, the Analysis of Operations by Lines of Business requires allocation of general insurance expenses to more detailed lines of business. The *Annual Statement Instructions* discuss the allocation of receipts and expenses to lines of business.

The *Annual Statement Instructions* state that the ~~company reporting entity~~ shall employ those principles and methods that reflect the actual incidence of cost by lines of business. Companies should consider the relative time spent, the extent of usage and the varying volume of work performed. The instructions further state that companies should base the allocations upon objective measurement rather than estimates unless the cost of the measurement clearly outweighs the benefit derived. Where estimates are used, individuals familiar with the nature of the activity should make these estimates and thoroughly responsible persons should review these estimates.

The *Annual Statement Instructions* also state that companies should not use general indices such as premium volume, number of policies and insurance in force unless the incidence of cost is closely related to the indices or there is no more appropriate basis. In no event should such indices be used to distribute claims costs to secondary lines of business.

Report expenses incurred by the reporting entity for uninsured accident and health plans on a gross basis by type of expense. However, administrative fees and expense reimbursements relating to uninsured business are reduced in the general expense and general insurance expenses are to be reported in the Summary of Operations net of such fees and reimbursements.

Expenses for accident and health activities must be allocated between cost containment expenses, Column 2 or all other, Column 3. For guidance on cost containment expenses, refer to *SSAP No. 55—Unpaid Claims, Losses and Loss Adjustment Expenses*.

Whenever personnel or facilities are used in common by two or more companies, or whenever the personnel or facilities of one company-reporting entity are used in the activities of two or more companies, each reporting entity shall assign its share of the expense to the same expense classification as if it had incurred the entire expense. This latter requirement shall not apply to activities such as administration of jointly underwritten group contracts and joint mortality and morbidity studies.

A reporting entity company that pays any affiliated entity (including a managing general agent) for the management, administration, or service of all or part of its business or operations shall allocate these costs to the appropriate expense classification item (salaries, rent, postage, etc.) as if these costs had been borne directly by the company-reporting entity. Management, administration, or similar fees should not be reported as a one-line expense. The company-reporting entity may estimate these expense allocations based on a formula or other reasonable basis.

A company-reporting entity that pays any non-affiliated entity (including a managing general agent) for the management, administration, or service of all or part of its business or operations shall allocate these costs to the appropriate expense classification items as follows:

- a. Payments for claims handling or adjustment services shall be reported as Expense of Investigation and Settlement of Contract Claims, Line 4.5 and allocated to Life, Accident and Health, and/or All Other Lines of Business as appropriate (Columns 1, 2, 3 and/or 4) in Exhibit 2, General Expenses. If the total of such expenses incurred equals or exceeds 10 percent of the total General Expenses Incurred (Line 10), the company-reporting entity shall allocate these costs to the appropriate expense classification item as if these costs had been borne directly by the company-reporting entity.
- b. Payments for services other than claims handling or adjustment services shall be allocated to the appropriate expense classifications as if these costs had been borne directly by the company-reporting entity, if the total of such fees paid to the non-affiliate(s) equals or exceeds 10 percent of the total General Expenses Incurred (Line 10). If the total is less than 10 percent, the payments may be reported on Line 7.1.

The total management and service fees incurred attributable to affiliates and non-affiliates shall be reported in the footnote to Exhibit 2, General Expenses in the annual statement blank, and the method(s) used for allocation shall be disclosed in the Notes to Financial Statements. The company-reporting entity shall use the same method(s) on a consistent basis. Refer to *SSAP No. 70—Allocation of Expenses* for accounting guidance.

Column 6 – Fraternal

Transactions related to the fraternal mission.

Line 1 – Rent

Rent expense includes, in addition to rent paid for leased properties, an estimated amount that represents “rent” for properties owned and occupied by the company reporting entity. Report the offset to this amount as investment income. Net rents received for property under sublease against rent expense.

Include: Rent for all premises occupied by the company reporting entity, including any adequate rent for occupancy of its own buildings, in whole or in part, except to the extent that allocation to other expense classifications on a functional basis is permitted and used.

Expenses incurred as tenant for light, heat, water, fuel, interest, taxes, building maintenance, alterations and service, etc.

Amortization expense for leasehold improvements as lessee.

Deduct: Rent under sublease.

Line 2 – Salaries and Wages

Salaries and wages, in addition to virtually all direct payments of compensation to employees, should include all payments to directors for attendance at board or committee meetings.

Include: Salaries and wages, bonuses and incentive compensation to employees, overtime payments, continuation of salary during temporary short-term absences, dismissal allowances, payments to employees while in training and other compensation to employees not specifically designated herein, except to the extent that allocation to other expense classifications is permitted and used.

Fees and other compensation to directors for attendance at board or committee meetings and any other fees and compensation paid to them in their capacities as directors or committee members.

Agency compensation other than commissions.

- Line 3.11 – Contributions for Benefit Plans for Employees and
- Line 3.12 – Contributions for Benefit Plans for Agents



Include: Contributions by company reporting entity for pension and total and permanent disability benefits, life insurance benefits, accident, health, hospitalization, medical, surgical, or other temporary disability benefits under a self-administered or trusteed plan or for the purchase of annuity or insurance contracts.

Appropriation or any other assignment of funds by company reporting entity in connection with any benefit plan of the types enumerated herein, e.g., the net periodic postretirement benefit cost, whether it be defined in terms of specified benefits or in terms of monetary amounts.

Earned amounts related to employee stock option plans.

Exclude: Contributions or appropriations for past service if reported in Surplus Account.

Benefit payments (to be reported in the appropriate benefit item of the Summary of Operations when reserves are included in Page 3, Lines 1 and 2, and as a separate item in the Summary of Operations when the liability is included in Page 3, Line 21).

- Line 3.21 – Payments to Employees Under Non-Funded Benefit Plans and
- Line 3.22 – Payments to Agents Under Non-Funded Benefit Plans

Include: Payments by company under a program for pension, stock options, purchase and award plans (including change in quoted market value), and total and permanent disability benefits, death benefits, accident, health hospitalization, medical, surgical, or other temporary disability benefits, where no contribution or appropriation is made prior to the payment of the benefit.

Refer to *SSAP No. 12—Employee Stock Ownership Plans* and *SSAP No. 104R—Share-Based Payments*.

- Line 3.31 – Other Employee Welfare and
- Line 3.32 – Other Agent Welfare

Expenses included in this line may be reported on a functional basis.

Include: Meals to employees. Companies so desiring may exclude this item from Other Employee Welfare and Other Agent Welfare and include it under Details of Write-ins Aggregated on Line 9.3 for Expenses.

Contributions to employee associations or clubs.

Expense and maintenance of recreation grounds.

Payments to employees and agents in military service.

Expense of periodical medical or dental examinations or of medical dispensary, convalescent home or sanitarium for employees and agents.

- Line 4.1 – Legal Fees and Expenses

Include: Cost of outside counsel, as well as court costs to the extent that these costs do not relate to the claims or investment functions, penalties, and all fees or retainers for legal services or expenses in connection with matters before administrative or legislative bodies.

Exclude: Salaries and expenses of ~~company~~ reporting entity personnel.

Legal expenses in connection with investigation, litigation and settlement of contract claims.

Legal fees specifically associated with real estate transactions.

- Line 4.2 – Medical Examination Fees
- Include: Fees to medical examiners in connection with new business, reinstatements, contract changes and applications for employment.
- Exclude: Fees for medical examinations for the welfare of employees and agents.
- Medical examination fees in connection with the investigation, litigation and settlement of contract claims.
- Line 4.3 – Inspection Report Fees
- Include: Fees for inspection reports in connection with new business, reinstatements, contract changes and applications for employment.
- Cost of services furnished by the Medical Information Bureau (M.I.B.).
- Exclude: Salaries of inspectors.
- Inspection report fees in connection with the investigation, litigation and settlement of contract claims.
- Assessment for expenses of M.I.B. Executive Committee.
- Line 4.4 – Fees of Public Accountants and Consulting Actuaries
- Exclude: Fees for examinations made by State Departments.
- Expense of internal audits by company employees.
- Line 4.5 – Expense of Investigation and Settlement of Policy Claims
- Include: Payment to other than employees of fees and expenses for the investigation, litigation and settlement of policy claims.
- Exclude: Payments to a policyholder, agent, broker, or a third party for administration of group claims.
- Line 5.1 – Traveling Expenses
- Include: Traveling expense of officers, other employees, directors and agents, including hotel, meals, telephone, telegraph and postage charges incurred while traveling.
- Amounts allowed employees for use of their own cars on company business.
- The cost of, or depreciation on, and maintenance and running expenses of company-owned automobiles.
- Exclude: Such expenses properly chargeable to Real Estate Expenses (Line 9.1) or required to be reported in Lines 7.1 and 7.3.

Line 5.2 – Advertising

Include: All costs relating to advertising for new insurance business except salaries and expenses of an advertising department.

Newspaper, magazine and trade journal advertising for the purpose of solicitation and conservation of business, whether in print or electronic formats.

Billboard, sign and directory advertising.

Television, radio broadcasting and motion picture advertising, excluding subjects dealing wholly with health and welfare.

All canvassing or other literature, such as pamphlets, circulars, leaflets, contract/certificate illustration forms and other sales aids, printed material, etc., prepared for distribution to the public by agents, ~~or~~ through the mail or electronic format for purposes of solicitation and conservation of business.

All calendars, blotters, wallets, advertising novelties, etc., for distribution to the public.

Printing, paper stock, etc., in connection with advertising.

Prospect and mailing lists when used for advertising purposes.

Fees and expenses of advertising agencies related to advertising.

Exclude: Pamphlets on health, welfare and educational subjects.

Advertising required by law, regulation or ruling except to the extent that it substantially exceeds the space required for compliance.

Salaries and expenses of advertising department.

Help-wanted advertisements.

Advertising in connection with investments.

Line 5.3 – Postage, ~~Express, Telegraph~~ and Telephone

Include: Freight and cartage.

Postage ~~Cables, radiograms and teletype.~~

Charges for use, installation and maintenance of related equipment if not included elsewhere.

Line 5.4 – Printing and Stationery

Expenses included in this line may be reported on a functional basis.

Include: Contract/certificate forms, riders, supplementary contracts, applications, etc., rate books, instruction manuals, ~~punch cards~~, house organs (in-house periodical or employee periodical), and all other printed material which is not required to be included in any other expense classification.

Office supplies.

Pamphlets on health, welfare and educational subjects.

Annual reports to policyholders/members and stockholders if not included in Line 5.2.

Line 5.5 – Cost or Depreciation of Furniture and Equipment

The general practice with respect to “Cost or depreciation of furniture and equipment” is to either: (1) charge depreciation to this expense classification and write off the remaining asset balance to surplus as a nonadmitted asset; or (2) charge expenditures for furniture and equipment directly to expense, in which case, those expenditures would be included in this classification.

Include: The cost or depreciation of office machines except for such charges as may be reported in Line 5.3.

Exclude: The cost or depreciation of equipment used by employees handling maintenance and repair work on company-occupied property.

Line 5.6 – Rental of Equipment

Include: Rental of office machines except for such charges as may be reported in Line 5.3.

Line 5.7 – Cost or Depreciation of EDP Equipment and Software

Include: Depreciation and amortization expense for electronic data processing equipment and operating and non-operating systems software.

Refer to *SSAP No. 16R—Electronic Data Processing Equipment and Software* for accounting guidance.

Line 6.1 – Books and Periodicals

Include: Books, newspapers, periodicals, etc., including investment, tax and legal publications and information services, and including all such material for company's reporting entity's law department and libraries whether in print or electronic format.

Line 6.2 – Bureau and Association Fees

Include: All dues and assessments of organizations of which the company reporting entity is a member.

All dues for employees' and agents' memberships on the company's reporting entities' behalf.

	Exclude:	Contributions in connection with scientific, disease prevention, or other activity directly pertaining to the welfare of policyholders and the public.
Line 6.3	– Insurance, Except on Real Estate	
	Include:	Premiums for Workers’ Compensation, burglary, holdup, forgery and public liability insurance, fidelity or surety bonds, insurance on contents of company-occupied buildings and all other insurance or bonds not included elsewhere.
Line 6.4	– Miscellaneous Losses	
	Include:	Uncollectible losses due to deficiencies, defalcations, robbery, or forgery, except those offset by bonding companies’ payments.  Workers’ Compensation benefits not covered by insurance.  Other uninsured losses not included elsewhere.
	Exclude:	Capital and investment losses.
Line 6.5	– Collection and Bank Service Charges	
	Include:	Collection charges on checks and drafts and charges for checking accounts and money orders.  <u>Credit card fees.</u>
	Exclude:	Foreign exchange losses on funds transferred in or out of the country (include in Exhibit of Capital Gains and (Losses), Line 10, Column 2).
Line 6.6	– Sundry General Expenses	
		Amounts paid to agents for administering group, credit, or individual blocks of business.
	Include:	Direct expense of local agency meetings, luncheons and dinners.  Tabulating service rendered by outside organizations.  Gifts and donations.  Any portion of commissions and expense allowances on reinsurance assumed for group business that represents specific reimbursement of expenses.  Reimbursement to another insurer for expense of jointly underwritten group contracts.
	Exclude:	Any one type of expense that would represent more than 25 percent of the total for this line. Such items should be reported on Line 9.3.
	Deduct:	Any portion of commissions and expense allowances on reinsurance ceded for group business that represents specific reimbursement of expenses.  Reimbursement from other insurers for expense of jointly underwritten group contracts.

- Line 6.7 – Group Service and Administration Fees
- Include: Administration fees, service fees, or any other form of allowance, reimbursement of expenses, or compensation (other than commissions) to agents, brokers, applicants, policyholders or third parties in connection with the solicitation, sale, issuance, service and administration of group business.
- Line 6.8 – Reimbursements by Uninsured Plans
- Report as a negative amount, administrative fees, direct reimbursement of expenses, or other similar receipts or credits attributable to uninsured plans and the uninsured portion of partially insured plans.
- Line 7.1 – Agency Expense Allowance
- Include: All bona fide allowances for agency expense, but not allowances constituting additional compensation.
- Line 7.2 – Agents' Balances Charged Off (Net)
- Include: Agents' balances charged off less any amounts recovered during the year.
- Line 7.3 – Agency Conferences Other Than Local Meetings
- Include: Cost of banquets and rental of meeting rooms.
- Expenses of all persons traveling to conferences and their expenses at conferences.
- Line 8.1 – Official Publication (Fraternal Benefit Societies Only)
- Expenses incurred by a fraternal benefit society for publications related to the society and its fraternal mission. Does not include publications related to the insurance operations.
- Line 8.2 – Expense of Supreme Lodge Meetings (Fraternal Benefit Societies Only)
- Expenses incurred by a fraternal benefit society for supreme lodge meetings of the society and its fraternal mission. Does not include meetings related to the insurance operations.
- Line 9.1 – Real Estate Expenses
- Include: The cost of repairs, maintenance, service, and operation of all real estate properties including insurance whether occupied by the ~~company~~ reporting entity or not; salaries and other compensation of managing agents and their employees; expenses incurred in connection with rental of such properties; legal fees specifically associated with real estate transactions other than sale; rent, salaries and wages, and other direct expenses of any branch or home office unit engaged solely in real estate work (not real estate and mortgages combined).
- Salaries or wages of janitors, caretakers, maintenance workers and agents paid in connection with owned real estate.
- Exclude: Salaries and wages of any other home office, general branch office, or investment branch office employees. These should be charged to salaries and wages, where they will automatically be subject to allocation as "insurance" or

“investment,” in Exhibit 2. The same rule applies to other expenses or charges associated with the activities of such employees.

Line 9.2 – Investment Expenses Not Included Elsewhere

Include: Only items for which no specific provision has been made elsewhere, e.g., contributions or assessments for bondholders’ protective committees, fees of investment counsel, custodian and trustee fees.

All other costs including internal costs or costs paid to an affiliated company related to origination, purchase or commitment to purchase bonds.

Exclude: Home office salaries and expenses on account of investment work, salaries and expenses of mortgage loan branch offices.

Legal fees and expenses.

Real Estate expenses properly chargeable to Line 9.1.

Brokerage and other related fees; to the extent they are included in the actual cost of a bond upon acquisition. Refer to SSAP No. 26R.

Line 9.3 – Aggregate Write-ins for Expenses

Enter the total of the write-ins listed in schedule Details of Write-ins Aggregated at Line 9.3 for Expenses.

Line 10 – General Expenses Incurred

The sum of Columns 1, 2, 3 and 4 should agree with Page 4, Line 23.

Column 5 should agree with Exhibit of Net Investment Income, Line 11, Column 2.

Column 2 plus Column 3 should agree with Schedule H, Part 1, Line 4 plus Line 8, Column 1 amount.

Sum of Columns 1 and 4 should equal the sum of Line 23, Column 1 for the following pages:

Analysis of Operations by Lines of Business – Individual Life Insurance

Analysis of Operations by Lines of Business – Group Life Insurance

Analysis of Operations by Lines of Business – Individual Annuities

Analysis of Operations by Lines of Business – Group Annuities

Sum of Columns 2 and 3 should equal Line 23, Column 1 for the Analysis of Operations by Lines of Business – Accident and Health.

Details of Write-ins Aggregated on Line 9.3 for Expenses

List separately all expenses for which there is no pre-printed line on Exhibit 2.

Include: Any type of expense that would represent more than 25 percent of Line 6.6, Sundry General Expenses.

Adjustments due to fluctuations in foreign exchange rates.

## **ANNUAL STATEMENT INSTRUCTIONS – HEALTH**

### **UNDERWRITING AND INVESTMENT EXHIBIT**

#### **PART 3 – ANALYSIS OF EXPENSES**

Administrative Services Contracts (ASC) and Administrative Services Only (ASO) commissions, expenses and taxes paid by the administrator to administer such plan shall be reported on a gross basis by type of expense. General expense items must be itemized and entered in sufficient detail to indicate their precise nature. Expenses are not reported on a functional basis, except to the extent specifically permitted herein and only if: (1) services are independently organized, (2) rent, salaries and wages, and other major items of expense directly incident thereto, but not necessarily including the cost of employee benefit plans and Social Security taxes, are charged to function, and (3) adequate accounting thereof is maintained. Whenever personnel or facilities are used in common by two or more companies, or whenever the personnel or facilities of one company are used in the activities of two or more companies, each company shall assign its share of the expense to the same expense classification as if it had incurred the entire expense. This latter requirement shall not apply to activities such as administration of jointly underwritten group contracts and joint mortality and morbidity studies.

Costs for managed care activities must be allocated between claim adjustment expenses and general administrative expenses. Claim adjustment expenses should be allocated to either cost containment expenses, Column 1 or other claim adjustment expenses, Column 2, in accordance with *SSAP No. 55—Unpaid Claims, Losses and Loss Adjustment Expenses*.

Other costs such as network development costs, provider contracting costs and other similarly related costs should be allocated to Columns 1 through 3 as appropriate, in accordance with *SSAP No. 55*.

A reporting entity that pays any affiliated entity (including a managing general agent) for the management, administration, or service of all or part of its business or operations shall allocate these costs to the appropriate expense classification item (salaries, rent, postage, etc.) as if these costs had been borne directly by the company reporting entity. Do not report management, administration, or similar fees as one-line expenses. The reporting entity may estimate these expense allocations based on a formula or other reasonable basis.

A reporting entity that pays any non-affiliated entity (including a managing general agent) for the management, administration, or service of all or part of its business or operations shall allocate these costs to the appropriate expense classification items as follows:

- a. If the total payments for claims handling or adjustment services equals or exceeds 10 percent of the “Total Claim Adjustment Expenses Incurred,” allocate these costs to the appropriate expense classification items as if these costs had been borne directly by the reporting entity.
- b. Allocate payments for services other than claims handling or adjustment services to the appropriate expense classifications as if these costs had been borne directly by the company reporting entity, if the total of such fees paid to the non-affiliate(s) equals or exceeds 10 percent of Column 3, Line 26. If the total is less than 10 percent, the company reporting entity may report the payments on Line 14.

The total management and service fees incurred attributable to affiliates and non-affiliates shall be reported in the footnote to Underwriting and Investment Exhibit – Part 3, and the method(s) used for allocation shall be disclosed in the Notes to Financial Statements. The reporting entity shall use the same method(s) on a consistent basis. Refer to *SSAP No. 70—Allocation of Expenses* for accounting guidance.

Line 1	– Rent	
	Include:	<p>Rent for all premises occupied by the reporting entity, including any adequate rent for occupancy of its own buildings, in whole or in part, except to the extent that allocation to other expense classifications on a functional basis is permitted and used.</p> <p>Expenses incurred as tenant for light, heat, water, fuel, interest, taxes, building maintenance, alterations and service, etc.</p>
	Deduct:	Rent under sublease.
	Exclude:	These items for health care delivery.
Line 2	– Salaries, Wages and Other Benefits	
	Include:	<p>Salaries and wages, bonuses and incentive compensation to employees, overtime payments, continuation of salary during temporary short-term absences, dismissal allowances, payments to employees while in training and other compensation to employees not specifically designated herein, except to the extent that allocation to other expense classifications is permitted and used.</p> <p>Fees and other compensation to directors for attendance at board or committee meetings and any other fees and compensation paid to them in their capacities as directors or committee members.</p> <p>Agency compensation other than commissions.</p> <p>Payments by reporting entity under a program for pension, stock options, purchases, and award plans (including change in quoted market value) and total and permanent disability benefits, life insurance benefits, accident, health, hospitalization, medical, surgical, or other temporary disability benefits under a self-administered or trustee plan or for the purchase of annuity or insurance contracts.</p> <p>Appropriation or any other assignment of funds by <del>company</del> <u>reporting entity</u> in connection with any benefit plan of the types enumerated herein, (e.g., the net periodic postretirement benefit cost) whether it be defined in terms of specified benefits or in terms of monetary amounts.</p> <p>Payments by reporting entity under a program for pension, stock options, purchases and award plans (including change in quoted market price), total and permanent disability benefits, death benefits, accident, health, hospitalization, medical, surgical, or other temporary disability benefits, where no contribution or appropriation is made prior to the payment of the benefit.</p> <p>Meals to employees.</p> <p>Contributions to employee associations or clubs.</p> <p>Expense and maintenance of recreation grounds.</p> <p>Payments to employees and agents in military service.</p>

Expense of periodical medical or dental examinations, or of medical dispensary, convalescent home or sanitarium for employees and agents.

Earned amounts related to employee stock ownership plans.

Exclude: Contributions or appropriations for past service if reported in Capital and Surplus Account.

Benefit payments. (To be reported in the appropriate item of the Statement of Revenue and Expenses.)

Refer to *SSAP No. 12—Employee Stock Ownership Plans* and *SSAP No. 104R—Share-Based Payments*.

Line 3 – Commissions

Include: Collection or service fees, policy fees, membership fees and other fees, Commuted renewal commissions.

Line 4 – Legal Fees and Expenses

Include: Court costs, penalties and all fees or retainers for legal services or expenses in connection with matters before administrative or legislative bodies.

Exclude: Salaries and expenses of ~~company~~ reporting entity personnel.

Legal expenses associated with investigation, litigation and settlement of policy claims.

Legal fees specifically associated with real estate transactions.

Line 5 – Certifications and Accreditation Fees

Include: Fees associated with the certification and accreditation of a health plan, including but not limited to, fees paid to Joint Commission on Accreditation of Health Care Organizations (JCAHO); National Commission on Quality Assurance (NCQA); American Association for Health Care Certification (Utilization Review Accreditation Commission (URAC)).

Exclude: Rating agencies and other similar organizations.

Line 6 – Auditing, Actuarial and Other Consulting Services

Exclude: Fees for examinations made by State Departments.

Expense of internal audits by ~~company~~ reporting entity employees.

Line 7 – Traveling Expenses

Include: Traveling expense of officers, other employees, directors and agents, including hotel, meals, telephone, ~~telegraph~~ and postage charges incurred while traveling.

Amounts allowed employees for use of their own cars on company business.

The cost of, or depreciation on, and maintenance and running expenses of company-owned automobiles.

Exclude: Such expenses properly allocated to Real Estate Expenses (Line 21).

Line 8 – Marketing and Advertising

Include: Newspaper, magazine and trade journal advertising for the purpose of solicitation and conservation of business, whether in print or electronic formats.

Billboard, sign and directory advertising.

Television, radio broadcasting and motion picture advertising, excluding subjects dealing wholly with health and welfare.

All canvassing or other literature, such as pamphlets, circulars, leaflets, policy illustration forms and other sales aids, printed material, etc., prepared for distribution to the public by agents, ~~or~~ through the mail or electronic format for purposes of solicitation and conservation of business.

All calendars, blotters, wallets, advertising novelties, etc., for distribution to the public.

Printing, paper stock, etc., in connection with advertising.

Prospect and mailing lists when used for advertising purposes.

Fees and expenses of advertising agencies related to advertising.

Exclude: Pamphlets on health, welfare and educational subjects.

Advertising required by law, regulation or ruling except to the extent that it substantially exceeds the space required for compliance.

Salaries and expenses of advertising department.

Help wanted advertisements.

Advertising in connection with investments.

Line 9 – Postage, ~~Express~~, and Telephone

Include: Freight and cartage, ~~cables, radiograms and teletype.~~

Postage.

Charges for use, installation and maintenance of related equipment if not included elsewhere.

Line 10 – Printing and Office Supplies

Expenses included in this line may be reported on a functional basis.

Include: Policy forms, riders, supplementary contracts, applications, etc., rate books, instruction manuals, ~~punch cards~~, house organs (in-house periodical or employee periodical), and all other printed material that is not required to be included in any other expense classification.

Office supplies, pamphlets on health, welfare and educational subjects, annual reports to policyholders and stockholders if not included in Line 8.

Books, newspapers, periodicals, etc., including investment, tax and legal publications and information services, and including all such material for company's reporting entity's law department and libraries whether in print or electronic format.

Line 11 – Occupancy, Depreciation and Amortization

Include: The amount of depreciation and amortization expense that is directly associated with administrative services. Expenses associated with administrative services include the costs of occupancy to the health entity that are directly associated with health administration. These include the costs of using a facility, fire and theft insurance, utilities, maintenance, lease, etc.

Exclude: The cost or depreciation of equipment used by employees handling maintenance and repair work on company-occupied property.

Line 12 – Equipment

Include: Rental of all office equipment except for such charges as may be reported in Line 9.

Line 13 – Cost or Depreciation of EDP Equipment and Software

Include: Depreciation and amortization expense for electronic data processing equipment, operating software and non-operating software.

Refer to *SSAP No. 16R—Electronic Data Processing Equipment and Software* for accounting guidance.

Line 14 – Outsourced Services Including EDP, Claims, and Other Services

Include: Expenses for administrative services, claim management services, new programming, membership services, and other similar services.

Exclude: Services provided by affiliates under management agreements.

Line 15 – Boards, Bureaus and Association Fees

Include: All dues and assessments of organizations of which the reporting entity is a member.

All dues for employees' and agents' memberships on the reporting entity's behalf.

Exclude: Contributions associated with scientific research, disease prevention, or other activity directly pertaining to the welfare of subscribers and the public.

Line 16 – Insurance, Except on Real Estate

Include: Premiums for Workers' Compensation, burglary, holdup, forgery and public liability insurance, fidelity or surety bonds, insurance on contents of company-occupied buildings and all other insurance or bonds not included elsewhere.

Line 17 – Collection and Bank Service Charges

Include: Collection charges on checks and drafts and charges for checking accounts and money orders.

Credit card fees.

Line 18 – Group Service and Administration Fees

Include: Administration fees, service fees, or any other form of allowance, reimbursement of expenses, or compensation (other than commissions) to agents, brokers, applicants, policyholders or third parties in connection with the solicitation, sale, issuance, service and administration of group business.

Line 19 – Reimbursements by Uninsured Plans

Report as a negative amount, pharmaceutical rebates of uninsured plans that are received or change in due and uncollected by the reporting entity, to the extent that they are in excess of amounts to be remitted to the uninsured plan, administrative fees, direct reimbursement of expenses, or other similar receipts or credits attributable to uninsured health plans and the uninsured portion of partially insured accident and health plans. Deduct administrative fees and related reimbursements from general administrative expenses or claim adjustment expenses if the administrative services provided include services for claim adjustment expenses as defined in *SSAP No. 55—Unpaid Claims, Losses and Loss Adjustment Expenses*.

Refer to *SSAP No. 84—Health Care and Government Insured Plan Receivables* for accounting guidance.

Line 20 – Reimbursements from Fiscal Intermediaries

Report as a negative amount, administrative fees, direct reimbursement of expenses, or other similar receipts or credits attributable to Medicare, ~~CHAMPUS~~ TRICARE and other federal and local governmental agencies.

Line 21 – Real Estate Expenses

Include: The cost of insurance, repairs, maintenance, service, and operation of all real estate properties, whether occupied by the company or not.

Expenses incurred in the rental of real estate properties.

Salaries and other compensation of real estate managing agents and their employees.

Legal fees specifically associated with real estate transactions other than sale; rent, salaries and wages, and other direct expenses of any branch or home office

unit engaged solely in real estate work (not real estate and mortgages combined).

Salaries or wages of janitors, caretakers, maintenance workers and agents in connection with owned real estate.

Exclude: Salaries and wages of any other home office, general branch office, or investment branch-office employees. Charge these amounts to salaries and wages, where they will automatically be subject to allocation as “insurance” or “investment.” The same rule applies to other expenses or charges associated with the activities of such employees.

Line 22 – Real Estate Taxes

Include: Those taxes directly assessed against property owned by the ~~company~~ reporting entity. Canadian and other foreign taxes should be included appropriately.

Line 23.1 – State and Local Insurance Taxes

Include: Assessments of state industrial boards or other boards for operating expenses or for benefits to sick unemployed persons in connection with disability benefit laws or similar taxes levied by states. Canadian and other foreign taxes are to be included appropriately.

Advertising required by law, regulation or ruling, except advertising associated with investments.

State sales taxes, if ~~company~~ reporting entity does not exercise option of including such taxes with the cost of goods and services purchased.

State income taxes.

Line 23.2 – State Premium Taxes

Include: State taxes based on policy reserves, if in lieu of premium taxes. Canadian and other foreign taxes should be included appropriately.

Any portion of commissions or allowances on reinsurance assumed that represents specific reimbursement of premium taxes.

Deduct: Any portion of commissions or allowances on reinsurance ceded that represents specific reimbursement of premium taxes.

Line 23.3 – Regulatory Authority Licenses and Fees

Include: Assessments to defray operating expenses of any state insurance department. Canadian and other foreign taxes should be included appropriately.

Fees for examinations by state departments.

Exclude: Fines and penalties of regulatory authorities. Report these fines and penalties as a separate item on Page 4, Details of Write-ins Aggregated at Line 29 for Other Income or Expenses.

Line 23.4 – Payroll Taxes

Include: Accrued payroll tax including FICA, FUTA, SUTA and other federal, state and local payroll taxes.

Line 23.5 – Other

Include: Guaranty fund assessments and taxes of Canada or of any other foreign country not specifically provided for elsewhere.

Sales taxes, other than state sales taxes, if ~~company~~ reporting entity does not exercise option of including such taxes with the cost of goods and services purchased.

Line 24 – Investment Expenses Not Included Elsewhere

Include: Only items for which no specific provision has been made elsewhere, (e.g., contributions or assessments for bondholders' protective committees, fees of investment counsel, custodian and trustee fees).

All other costs, including internal costs or costs paid to an affiliated company, related to origination, purchase or commitment to purchase bonds.

Exclude: Home office salaries and expenses on account of investment work, salaries and expenses of mortgage loan branch offices.

Legal fees and expenses.

Real Estate expenses properly chargeable to Line 21.

Interest expense incurred for experience rated refunds.

Brokerage and other related fees, to the extent that these are included in the actual cost of a bond upon acquisition. Refer to *SSAP No. 26R—Bonds* for accounting guidance.

Line 25 – Aggregate Write-ins for Expenses

Enter the total of the write-ins listed in schedule Details of Write-ins Aggregated at Line 25 for Expenses.

Line 26 – Total Expenses Incurred

Column 1 + Column 2 should agree with Statement of Revenue and Expenses, Line 20. Column 3 should agree with Statement of Revenue and Expenses, Line 21. Column 4 should agree with the Exhibit of Net Investment Income, Line 11 plus 12.

Details of Write-ins Aggregated on Line 25 for Expenses

List separately all expenses for which there is no pre-printed line.

Enter in Column 3 interest incurred for experience rated refunds.

**ANNUAL STATEMENT INSTRUCTIONS – TITLE**

**OPERATIONS AND INVESTMENT EXHIBIT**

**PART 3 – EXPENSES**

A company reporting entity that pays management fees to an affiliate (including a managing general agent) shall allocate these costs to the appropriate expense classification item (salaries, rent, postage, etc.) as if these costs had been borne directly by the company reporting entity. Management (or similar) fees should not be reported as a one-line expense. It is appropriate for the company reporting entity to estimate these expense allocations based on a formula or other reasonable basis.

The total management fees and the method(s) used for allocation shall be disclosed in the Notes to Financial Statements. The company reporting entity shall use the same allocation method(s) on a consistent basis. Refer to *SSAP No. 70—Allocation of Expenses* for accounting guidance.

Exclude from investment expenses brokerage and other related fees, to the extent they are included in the actual cost of a bond upon acquisition. Refer to *SSAP No. 26R—Bonds* for accounting guidance.

Include all other internal costs or costs paid to an affiliated company related to origination, purchase or commitment to purchase bonds.

Column 1 – Title and Escrow Operating Expenses - Direct Operations

The amounts shown in this column represent expenses related to the company's reporting entities' title and escrow operations. It does not include losses, loss adjustment expenses (allocated or unallocated) or investment expenses. The expenses include only amounts incurred directly by the company reporting entity, and do not include expenses incurred by any agents (regardless of ownership interest).

Exclude: Expenses on orders not produced by the company reporting entity (report this in Column 6, Other Operations).

Column 2 – Title and Escrow Operating Expenses - Non-affiliated Agency Operations

The amounts shown in this column represent expenses related to the company's reporting entities' title and escrow non-affiliated agency operations. It does not include losses, loss adjustment expenses (allocated or unallocated) or investment expenses. The expenses include only amounts incurred directly by the company reporting entity and do not include expenses incurred by any agency (regardless of ownership interest).

Exclude: Expenses on orders not produced by the company reporting entity (report this in Column 6, Other Operations).

Column 3 – Title and Escrow Operating Expenses - Affiliated Agency Operations

The amount shown in this column represent expenses related to the company's reporting entities' title and escrow affiliated agency operations. It does not include losses, loss adjustment expenses (allocated or unallocated) or investment expenses. The expenses include only amounts incurred directly by the company reporting entity and do not include expenses incurred by any agency (regardless of ownership interest).

Exclude: Expenses on orders not produced by the company reporting entity (report this in Column 6, Other Operations).

An agency operation is affiliated if the agency is an affiliate as defined by SSAP No. 25—*Affiliates and Other Related Parties*.

Column 4 – Total

The amounts reported in this column are the total of Columns 1, 2 and 3.

Column 5 – Unallocated Loss Adjustment Expenses

The amounts shown in this column represent the indirect costs incurred by the ~~company~~ reporting entity in settlement of title and other claims. As an example, the costs related to salaried employees of the insurer involved in the management of claims are included in this category. Do not include any costs incurred by the agents in settlement of title or other claims.

The amounts shown on Line 24 should agree with the amounts reported on the Operations and Investment Exhibit, Part 2A, Line 9.

Column 6 – Other Operations

The amounts shown in this column represent the expenses incurred by the ~~company~~ reporting entity in operations other than title and escrow, or loss adjustment or investment activities.

Include: Expenses on orders not produced by the ~~company~~ reporting entity, such as expenses incurred in the sale of title services to attorneys, agents, lenders or others. Expenses related to the revenue reported as Other Operating Income on Page 4, Line 2.

Exclude: Expenses allocated to providing services related to the issuance of a title policy by direct operations.

Column 7 – Investment Expenses

The amounts shown in this column represent the expenses incurred by the ~~company~~ reporting entity, both internal and external, in connection with the production of the ~~company~~ reporting entity investment income.

Column 8 – Current Year Total

The amounts reported in this column are the total of Columns 4, 5, 6 and 7.

Column 9 – Prior Year Total

The amounts reported in this column are the amounts reported in Column 8 for the prior year.

**INSTRUCTIONS FOR UNIFORM CLASSIFICATIONS OF EXPENSES OF**

**TITLE INSURERS**

For the purposes of establishing uniformity in classifications of expenses of title insurers recorded in statements and reports filed with and statistics reported to Insurance Departments, all such reporting entities shall observe the instruction set forth below.

**LIST OF OPERATING EXPENSE CLASSIFICATIONS FOR ANNUAL STATEMENT PURPOSES**

1. Personnel Costs
  - 1.1 Salaries
  - 1.2 Employee Relations and Welfare
  - 1.3 Payroll Taxes
  - 1.4 Other Personnel Costs
2. Amounts Paid to or Retained by Title Agents
3. Production Services (purchased outside)
  - 3.1 Searches, Examinations and Abstracts
  - 3.2 Surveys
  - 3.3 Other
4. Advertising
5. Boards, Bureaus and Associations
6. Title Plant Rent and Maintenance
7. Claim Adjustment Services
8. Amounts Charged Off, Net of Recoveries
9. Marketing and Promotional Expenses
10. Insurance
11. Directors' Fees
12. Travel and Travel Items
13. Rent and Rent Items
14. Equipment
15. Cost or Depreciation of EDP Equipment and Software
16. ~~Printing, and Stationary, Books and Periodicals~~
17. ~~Postage, and Telephone, Messengers and Express~~
18. Legal and Auditing
20. Taxes, Licenses and Fees
  - 20.1 State and Local Insurance Taxes
  - 20.2 Insurance Department Licenses and Fees
  - 20.3 Gross Guaranty Association Assessments
  - 20.4 All Other (excluding Federal Income and Real Estate)
21. Real Estate Expenses
22. Real Estate Taxes
23. Miscellaneous

Line 1.1	–	Salaries	
		Include:	<p>Salaries, bonus, overtime, contingent compensation, pay while on leave, dismissal allowances, pay while training and other compensation of officers and employees.</p> <p>Commission and brokerage to employees when the activities for which the commission is paid are part of their duties as employees.</p>
		Exclude:	<p>Salaries or wages, etc., of janitors, caretakers, maintenance workers and agents paid in connection with owned real estate and premises leased for company use. (See Real Estate Expenses.)</p> <p>Retirement allowances.</p> <p>Directors’ and committee fees.</p> <p>Disability payments to or on behalf of employees under self-insurance plan.</p>
Line 1.2	–	Employee Relations and Welfare	
		Include:	<p>Cost of retirement insurance.</p> <p>Payments or appropriations to funds irrevocably devoted to the payment of pensions or other employees’ benefits.</p> <p>Pensions or other retirement allowances.</p> <p>Accident, health and hospitalization insurance for employees.</p> <p>Group life insurance for employees.</p> <p>Workers’ compensation insurance.</p> <p>Payments to or on behalf of employees under self-insurance.</p> <p>Any other insurance for the benefit of employees.</p> <p>Net periodic postretirement benefit cost.</p> <p>Earned amounts related to employee stock option plans.</p> <p>Payments by <del>company</del> <u>reporting entity</u> under a program for stock options, purchase and award plans (including change in quoted market value).</p>
			<p>Refer to <i>SSAP No. 12—Employee Stock Ownership Plans</i> and <i>SSAP No. 104<del>R</del></i>—<i>Share-Based Payments</i> for accounting guidance.</p>

Exclude: Premiums for life insurance on employees when the ~~company~~ reporting entity is the beneficiary.

Payments or appropriations to pension funds not irrevocably devoted to the payment of pensions or other employees; benefits (such payments or appropriations shall not appear among expenses).

Items includable in Real Estate Expenses.

All other types of insurance premiums.

Line 1.3 – Payroll Taxes

Include: Employer FICA, FUTA, SUTA, and other federal state and local payroll taxes.

Exclude: Payroll taxes includable in Real Estate Expenses.

Line 1.4 – Other Personnel Costs

Include: Cost of the following:

Advertising related to recruiting.

Employment agency placement fees.

Training and welfare of employees.

Physical examinations of employees or applicants for employment.

Character or credit reports on employees or applicants for employment.

Gatherings, outings and entertainment for employees.

Visiting nurse service for or on behalf of employees.

Medical and hospital bills for employees (not included in Employee Relations and Welfare).

Direct payments other than salaries, to employees for injury and sickness (not included in Employee Relations and Welfare).

Overtime meals.

Donations to or on behalf of employees.

Food and catering for employees.

Exclude: Salaries, bonus, overtime, contingent compensation, pay while on leave, dismissal allowances, pay while training and other compensation of employees. (See Salaries.)

Items includable in Real Estate Expenses.

Cost of house organ (in-house periodical or employee periodical) and similar publications. (See Advertising, and Printing and Stationery.)

Line 2 – Amount Paid to or Retained by Title Agents

This line includes all amounts paid directly or indirectly to the title agent. It can include commissions or fees paid directly to the title agents. It can also include any amounts collected from the insureds for title insurance premiums that are retained by the title agent, and not remitted to the ~~company~~ reporting entity.

Line 3.1 – Searches, Examinations and Abstracts

Include: Searching and examining, reading, closing, abstracts and continuations and tax searches, including continuations and mark offs.

State searches such as franchise tax, transfers, and estates, incorporation's, dissolution's of corporations and any other searches required of the State Department of Taxation.

Building Department searches such as tenement house, cost of certificate of occupancy, Department of Building and Housing, etc.

Other miscellaneous searches such as bankruptcy lists, street reports; examining conditional bills of sale, and chattel mortgage; death certificates, fire health and labor departments, abstracts or certified copies of anything pertaining to record proof required in the examination of title, including surrogate's proceedings, probate proceedings, transfer tax proceedings, bankruptcy proceedings, Federal Court proceedings, copies of deeds, letters testamentary, wills, etc.; appointment of trustees, etc.; last owners; and any other analogous thereto.

Exclude: Survey charges, appraisals and salaries of staff members providing search examination and abstract services.

Line 3.2 – Surveys

This account classification shall include the net charges of outside surveyors or other title companies for all survey work including possession surveys; enclosure surveys; locations surveys; surveying and locating building and showing same on map; survey, map, and descriptions; staking plot; furnishing tracings and prints; redating surveys; survey prints purchased.

Exclude: Compensation of salary staff members for making survey or property inspections.

Blueprints and photostats of surveys.

Line 3.3 – Other

Include: Purchases of atlases whether in print or electronic format.

Cost of keeping atlases current such as the insertion of new pages and corrections, indexing and other related expenses.

Cost of copies of filed land maps, damage maps, extracts of sheets from land maps, alteration maps obtained from topographical bureaus.

Binding, printing, mounting, and indexing land maps.

Sales tax and discounts on items included.

Other outside production services purchased, such as property inspections, policy or report typing.

Line 4 – Advertising

Include:

Services of advertising agents.

Public relations counsel.

Space in newspapers, trade publications, diaries, directories, yearbooks, billboards, programs and other publications including electronic formats.

Circulars, pamphlets, calendars and literature issued for advertising or promotional purposes.

Drawings, plates, etchings, etc., in connection with advertising.

All charges for printing, paper, etc., in bills covering advertising.

Media broadcasts (e.g., radio, television, etc.)

Prospect and mailing lists.

Advertising in connections with corporate proceedings.

Printed material issued or distributed for promotional purposes.

All charges for compiling material content, printing, paper, mailing expenses, including envelopes, labels, and boxes, etc., in connection with the distribution of promotional material.

Souvenirs and other promotional items for general distribution.

House organs (in-house periodical or employee periodical) and similar publications distributed to persons other than staff members.

Signs, frames, medals, etc., for agents.

Advertising required by law when more than the minimum space required to comply with the law is taken.

Exclude:

Compensation to employees. (See Salary.)

Items includable in Travel and Travel Items.

Items includable in Boards and Associations.

Items includable in Claim Adjustment Services.

Advertising and business development expenses allowed, reimbursed or paid to managers, agents, brokers, solicitors, and other producers.

Cost of advertising related to recruiting. (See Employee Relations and Welfare.)

Cost of advertising in connection with owned real estate. (See Real Estate Expenses).

Donations to organized charities. (See Miscellaneous.)

Costs of charts, maps, etc., used for routine company operations.

Cost of literature and booklets, placards, signs, etc., issued solely for employee benefits.

Cost of house organs (in-house periodical or employee periodical) and similar publications for use of employees. (See Printing and Stationery.)

Cost of souvenirs not generally distributed. (See Travel and Travel Items.)

Line 5 – Boards, Bureaus and Associations

Include: Dues, assessments, fees and charges of underwriting boards, rating organizations, statistical agencies, inspection and audit bureaus.

Underwriters' advisory and service organizations.

Accident and loss prevention organizations.

Claim organizations.

Underwriting syndicates, pools and associations and assigned risk plans (except Commission and Brokerage, Claim Adjustment Services, and Taxes, Licenses and Fees).

Specific payments to title or mortgage associations for rate manuals, revisions, fillers and other industry-wide literature.

Exclude: Dues and subscriptions to social or civic clubs or affairs and to associations of customers. (See Marketing and Promotion.)

Dues and subscriptions to accounting, legal, actuarial or similar societies and associations. (See Legal and Auditing.)

Cost of inspection, engineering or accident and loss prevention billed specifically to individual companies.

Loss adjustment expenses billed specifically to individual companies. (See Claim Adjustment Services).

Allowances under reinsurance contracts for board and bureau expenses.

Payments to State Industrial Commissions. (See Taxes, Licenses and Fees.)

Payments into State Security Funds. (See Taxes, Licenses and Fees.)

Commission and Brokerage, Claim Adjustment Services, and Taxes, Licenses and Fees of underwriting syndicates, pools and associations.

Cost of survey, credit, moral hazard, character and commercial reports obtained for underwriting purposes.

Cost of commercial reporting services.

Line 6 – Title Plant Rent and Maintenance

The line includes all direct costs incurred in connection with the rental or lease of title plants. It also includes costs incurred by the ~~company~~ reporting entity in connection with the participation in joint maintenance agreements for title plants owned by others.

Line 7 – Claim Adjustment Services

Include: Other claim adjustment fees and expenses.

Outside services for unallocated claim administration.

Auditing fees and expenses of independent auditors for auditing payrolls and premium bases.

Exclude: Compensation to employees. (See Salaries.)

Expenses of salaried employees. (See Travel and Travel Items.)

Fees and expenses of lawyers for legal services in the defense, trial or appeal of suits, or for other allocated legal services rendered in connection with title claims (include in Title Losses and Loss Adjustment Expenses Paid).

Interests and costs assessed as part of or subsequent to judgment (include in Title Losses Paid).

Line 8 – Amounts Charged Off, Net of Recoveries

This line includes amounts charged off related to title insurance premiums, title agency remittances and other services accrued that could not be collected.

Include: Recoveries of amounts previously charged off.

Exclude: Items includable in Real Estate Expenses.

Line 9 – Marketing and Promotional Expenses

This line includes all amounts incurred for expenses directly related to the production of specific sales efforts.

Include: Dues and subscriptions to social or civic clubs or affairs and to associations of customers.

Exclude: Items included in Advertising, Line 4.

Compensation to employees. (See Salaries.)

Line 10 – Insurance

Include: Fidelity or surety bonds covering employees and agents.

Burglary and robbery insurance.

Public liability insurance premiums (excluding owned real estate).

Premiums for insurance on office contents.

Cost of insurance on automobiles.

All other insurance premiums not specifically provided for in other operating accounts.

Exclude: Items includable in Employee Relations and Welfare.

Items includable in Real Estate Expenses.

Items includable in Rent and Rent Items.

Items includable in Travel and Travel Items.

Line 11 – Directors' Fees

Include: Directors' fees and other compensation of directors for attendance at board or committee meetings.

Other fees, compensation and expenses paid to directors.

Exclude: Commissions to directors for the production of business.

Line 12 – Travel and Travel Items

Include: Transportation, hotel, meals, postage, shipping, delivery, telephone, ~~telegraph, express~~ and incidental living expenses of employees while traveling.

Expenses for transfer of employees.

Mileage allowance to employees for use of personal cars.

Depreciation repairs and other operating expenses of automobiles.

Rent of automobiles.

Fees for automobile registration.

Cost of insurance on rented automobiles.

Exclude: Items includable in Salaries; Advertising; Commissions; Taxes, Licenses and Fees; and Boards, Bureaus and Associations.

Cost of gatherings, outings, etc., and entertainment for employees. (See Other Personnel Costs.)

Items includable in Real Estate Expenses.

Donations to organized charities. (See Miscellaneous.)

Cost of souvenirs and other promotional items for general distribution. (See Advertising.)

Line 13 – Rent and Rent Items

- Include:
- Rent of home office and branch offices.
  - Real Estate taxes in connections with leased premises. Refer to *SSAP No. 22R—Leases* for accounting guidance of leases by lessors and lessees.
  - Rent for space occupied in buildings owned.
  - Public liability insurance premiums.
  - Light, heat, power and water charges in leased premises.
  - Interest, taxes, etc., paid in lieu of rent for leased premises.
  - Cost of alterations and repairs of leased premises.
  - Rent of storage, safekeeping and warehouse space.
  - Rent of safe deposit boxes.
  - Rent of post office boxes.
  - Time clock service charges.
  - Cost of cleaning, towels, ice, water, electric lamp replacements and other expenses incidental to office maintenance.
- Exclude:
- Compensations to employees. (See Salaries.)
  - Rent of furniture, equipment, and office machines. (See Equipment.)
  - Rent of Automobiles. (See Travel and Travel Items.)
  - Cost of insurance on rented automobiles. (See Travel and Travel Items.)
  - Amortization expense for leasehold improvements as lessee.
  - Rent allowed, reimbursed, or paid to managers, agents, brokers, solicitors and other producers.
  - Items includable in Real Estate Expenses.
  - Rent income from owned real estate.

Line 14 – Equipment

- Include:
- Rent and repairs of furniture, equipment and office machines including printers' equipment and postage machines.
  - Equipment other than automobiles, purchased and fully depreciated or written off during the year.
  - Depreciation on furniture, equipment and office machines.

Exclude: Compensation to employees. (See Salaries.)

Rent, repair, and depreciation of automobiles. (See Travel and Travel Items.)

Cost of alterations and repairs of leased premises. (See Rent and Rent Items.)

Equipment expenses allowed, reimbursed or paid to managers, agents, brokers, solicitors and other producers.

Items includable in Real Estate Expenses.

Depreciation and amortization expense for electronic data processing equipment, operating and non-operating systems software. (See Cost or Depreciation of EDP Equipment and Software.)

Line 15 – Cost or Depreciation of EDP Equipment and Software

Include: Depreciation and amortization expense for electronic data processing equipment, operating and non-operating systems software.

\_\_\_\_\_ Cost of computer software

Refer to *SSAP No. 16R—Electronic Data Processing Equipment and Software* for accounting guidance.

Line 16 – ~~Printing, and Stationery, Books and Periodicals~~

Include: Printing, stationery and office supplies such as: letterheads, envelopes, paper stock, printed forms or manuals, adding machine tape, ~~carbon paper~~, binders and posts, ~~photostatic~~ copies, pencils, pens, ink, glue, stamps and stamp pads, staplers, staples, clips and pins, desk top equipment (calendars, trays, etc.), waste baskets, analysis pads, ledgers, journals, minute books, etc.

Policies and policy forms.

House organs (in-house periodical or employee periodical) and similar publications for the use of employees.

Books, newspapers and periodicals including investment, tax and legal publications and services, whether in print or electronic format.

Exclude: Compensation to employees. (See Salaries.)

Specific payments to boards, bureaus and associations for rate manuals, revisions, fillers, rating plans and experience data. (See Boards, Bureaus and Associations.)

Literature, booklets, placards, signs, etc., issued solely for accident and loss prevention. (See Surveys and Underwriting Reports.)

Items includable in Claim Adjustment Services.

Items includable in Advertising.

Printers' equipment in company owned printing department. (See Equipment.)

Printing and stationery costs allowed, reimbursed or paid to managers, agents, brokers, solicitors and other producers.

House organs (in-house periodical or employee periodical) and similar publications distributed to persons other than employees. (See Advertising.)

Commercial reporting services.

Items includable in Real Estate Expenses.

Line 17 – ~~Postage and, Telephone, Messengers and Express~~

Include: ~~Express, Freight and cartage-~~

~~Postage-~~

~~Cost of telephone-~~

~~Bank charges for collection and exchange-~~

Exclude: Compensation to employees. (See Salaries.)

Rent, repairs, and depreciation of postage machine. (See Equipment.)

~~Postage and, telephone, telegraph and express mail service~~ used by employees while traveling. (See Travel and Travel Items.)

~~Postage, shipping, delivery, and, telephone, telegraph, exchange and express mail service~~ allowed, reimbursed or paid to managers, agents, brokers, solicitors and other producers.

Profits or losses resulting from exchange on remittances to home office by a U.S. branch. Such profits or losses shall not be included in expenses.

Items includable in Real Estate Expenses.

Rent of post office boxes. (See Rent and Rent Items.)

Line 18 – Legal and Auditing

Include: Legal retainers, fees and other legal expenses and non-title related losses (except on title and escrow losses and salvage).

Auditing fees of independent auditors for examining records of home and branch offices.

Cost of services of tax advisors.

Services of consultants.

Fees of investment counsel.

Fees and expenses of other persons than employees, for collecting balances.

Notary fees.

Dues and subscriptions to accounting, legal, actuarial or similar societies and associations.

Exclude: Compensation to employees. (See Salaries.)

Expenses of salaried employees. (See Travel and Travel Items.)

Items includable in title or escrow losses and salvage.

Items includable in Real Estate Expenses.

Line 20.1 – State and Local Insurance Taxes

Include: State premium taxes, licenses and fees.

County and municipal premium taxes, licenses and fees.

Fire Patrol assessments.

Payments to State Industrial (or other) Commissions for administration of Workers' Compensation or other State Benefit Acts (including assessments for administering Financial Responsibility Laws) regardless of basis of assessment.

Net payments to State Security Funds, Reopened Case Funds, Social Injury Funds and other State Funds, when construed by the ~~company~~ reporting entity as operating expenses, regardless of basis of assessment.

Exclude: Allowances for taxes under reinsurance contracts.

Line 20.2 – Insurance Department Licenses and Fees

Include: Agents' licenses.

Certificates of authority, compliance, deposit, etc.

Filing fees.

Fees and expenses of examination by insurance department or other governmental agencies.

Business licenses, corporation licenses.

Exclude: Items includable in Line 20.1 - State and Local Insurance Taxes and Line 20.4 - All Other (Excluding Federal Income and Real Estate).

Items includable in Claim Adjustment Services.

Line 20.4 – All Other (Excluding Federal Income and Real Estate)

Include: Qualifying bond premiums.

Statement publication fees.

Advertising required by law.

Personal property taxes.

State taxes on income or gross receipts.

Occupancy tax.

Capital stock taxes.

Business corporation licenses or fees (not includable Lines 20.1 or 20.2).

Marine profits taxes.

Documentary stamps on reinsurance.

Any other taxes not assignable under Lines 20.1, 20.2 and 20.3 and not otherwise excluded.

Exclude: Real estate taxes (See Real Estate Taxes).

Cost of advertising required by law where more than minimum space required to comply with the law is taken. Such expenses shall be included in Advertising.

Items includible in Claim Adjustment Services.

Fees for automobile license plates (See Travel and Travel Items).

Federal income taxes.

County and municipal premium taxes, licenses and fees.

Sales taxes, etc., included on invoice of vendors. Such taxes are to follow allocation of cost of items purchased.

Line 21 – Real Estate Expenses

Include: Salaries, wages and other compensation, including payroll taxes, of janitors, caretakers, maintenance workers and agents paid in connection with owned real estate.

Cost of operating and maintaining owned real estate.

Cost of insurance in connection with owned real estate.

Cost of advertising in connection with owned real estate.

Line 22 – Real Estate Taxes

Include: Taxes, licenses and fees on owed real estate.

Line 23 – Aggregate Write-ins for Other Expenses

Enter the total of the write-ins listed in schedule Details of Write-ins Aggregated at Line 23 for Other Expenses.

Details of Write-ins Aggregated at Line 23 for Other Expenses

List separately each category of other expense for which there is no pre-printed line in Part 3.

Expenses not listed as includable in other operating expense classifications, and not analogous thereto, shall be included in "Other." Specifically, the following shall be included:

- Include:
- Donations to organized charities.
  - Cost of tabulating service when such service is rendered by outside organizations.
  - Amounts received and handled in accordance with the Instruction "Income from Special Services."
  - Differences between actual amounts paid, and amounts apportioned in accordance with the Instruction "Joint Expenses."

## GENERAL INSTRUCTIONS IN CONNECTION WITH OPERATING EXPENSE CLASSIFICATIONS

### **A. Joint Expense**

Whenever personnel or facilities are used in common by two or more companies, or whenever the personnel or facilities of one company are used in the activities of two or more companies, the expenses involved shall be apportioned in accordance with the instructions relating to Joint Expenses, and such apportioned expenses shall be allocated by each company to the same operating expense classifications as if the expenses had been borne wholly. Any difference between the actual amount paid, and the amount of such apportioned expenses, shall be included in the operating expense classification "Miscellaneous."

This instruction does not apply to the following, which are covered by separate instructions herein:

Reinsurance commission and allowance (see Commission and Brokerage – Reinsured Assumed and Ceded)

Commission and brokerage paid to managers and agents (see Commission and Brokerage – Direct)

Allowances to managers and agents (see Allowances to Manager and Agents)

Expenses allocable in accordance with the instruction "Income from Special Services"

### **B. Expenses for Account of Another**

Whenever expenses are paid by one company for account of another, the payments shall not appear among the expenses reported by the former, and shall be included by the latter in the same expense classification as if originally paid by it.

### **C. Income from Special Services**

Whenever an insurance company receives compensation for sales or services, such as loss adjustment or inspection not related to policies written by the company, and such compensation is not calculated as a joint expense reimbursement, the amount thereof shall be included in the operating expense classification "Miscellaneous." Where an insurance company pays the compensation, allocation shall be made to the expense classification dictated by the nature of the expense.

Reinsurance commission and allowances (See Commission and Brokerage – Reinsurance Assumed and Ceded).

Expenses incurred for the benefit of companies in the same group or fleet are covered by the instruction "Joint Expenses."

### **D. Analogous Items**

The list of expenses includible in the operating expense classifications is representative and do not exclude analogous items that are omitted from the lists.

**OPERATIONS AND INVESTMENT EXHIBIT**

**PART 4 – NET OPERATING GAIN/LOSS EXHIBIT**

Column 1 – Direct Operations

The amounts shown in this column represent the ~~company-reporting entity~~ direct operations. No items from agency operations (even wholly-owned agencies) are to be included in this column; only home office and branch office operations are to be included in this column.

Column 2 – Non-affiliated Agency Operations

The amounts shown in this column represent the ~~company-reporting entity~~ non-affiliated agency operations. This column should include all agency operations other than those that are reported in Column 3.

Column 3 – Affiliated Agency Operations

The amounts shown in this column represent the ~~company-reporting entity~~ affiliated agency operations. Wholly-owned agencies should be included in the amounts shown in this column. The standards for reporting as an affiliated agency are the affiliation standards established under the holding company laws of the domestic state jurisdiction.

Column 4 – Total

The amounts reported in this column are the total of Columns 1, 2 and 3.

Column 5 – Other Operations

The amounts in this column represent amounts other than those shown in Columns 1, 2 or 3.

Column 6 – Current Year Total

The amounts reported in this column are the total of Columns 4 and 5.

Column 7 – Prior Year Total

The amounts reported in this column are the amounts reported in Column 6 for the prior year.

Line 1.1 – Title Insurance Premiums Earned

The amounts reported in this line are the amounts reported in Operations and Investment Exhibit, Part 1B, Line 3, Column 1.

Line 1.2 – Escrow and Settlement Services

The amounts reported in this line are the amounts reported in Operations and Investment Exhibit, Part 1A, Line 2.

Line 1.3 – Other Title Fees and Service Charges

The amounts reported in this line are the amounts reported in Operations and Investment Exhibit, Part 1A, Lines 3 to 6.

- Line 3 – Total Operating Income
- The amounts reported on this line are the totals of the amounts shown on Lines 1.1 through 1.3 plus the amount shown on Line 2.
- Line 4 – Losses and Loss Adjustment Expenses Incurred
- The amounts reported in this line are the amounts reported in Operations and Investment Exhibit, Part 2A, Line 10, Column 4.
- Line 5 – Operating Expenses Incurred
- The amounts reported in this line are the amounts reported in Operations and Investment Exhibit, Part 3, Line 24, Columns 1 through 3 and Column 6.
- Line 6 – Total Operating Deductions
- The amounts reported in this line are the amounts reported on Line 4 plus Line 5.
- Line 7 – Net Operating Gain or (Loss)
- The amounts reported in this line are the amounts reported on Line 3 less the amounts reported on Line 6.

**ANNUAL STATEMENT BLANK – PROPERTY**

**UNDERWRITING AND INVESTMENT EXHIBIT  
PART 3 – EXPENSES**

	1 Loss Adjustment Expenses	2 Other Underwriting Expenses	3 Investment Expenses	4 Total
1. Claim adjustment services:				
1.1 Direct.....				
1.2 Reinsurance assumed.....				
1.3 Reinsurance ceded.....				
1.4 Net claim adjustment services (1.1+1.2-1.3).....				
2. Commission and brokerage:				
2.1 Direct, excluding contingent.....				
2.2 Reinsurance assumed, excluding contingent.....				
2.3 Reinsurance ceded, excluding contingent.....				
2.4 Contingent—direct.....				
2.5 Contingent—reinsurance assumed.....				
2.6 Contingent—reinsurance ceded.....				
2.7 Policy and membership fees.....				
2.8 Net commission and brokerage (2.1+2.2-2.3+2.4+2.5- 2.6+2.7).....				
3. Allowances to manager and agents.....				
4. Advertising.....				
5. Boards, bureaus and associations.....				
6. Surveys and underwriting reports.....				
7. Audit of assureds' records.....				
8. Salary and related items:				
8.1 Salaries.....				
8.2 Payroll taxes.....				
9. Employee relations and welfare.....				
10. Insurance.....				
11. Directors' fees.....				
12. Travel and travel items.....				
13. Rent and rent items.....				
14. Equipment.....				
15. Cost or depreciation of EDP equipment and software.....				
16. Printing and stationery.....				
17. Postage, and telephone and telegraph, exchange and express.....				
18. Legal and auditing.....				
19. Totals (Lines 3 to 18).....				
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$.....				
20.2 Insurance department licenses and fees.....				
20.3 Gross guaranty association assessments.....				
20.4 All other (excluding federal and foreign income and real estate).....				
20.5 Total taxes, licenses and fees (20.1+20.2+20.3+20.4).....				
21. Real estate expenses.....				
22. Real estate taxes.....				
23. Reimbursements by uninsured plans.....				
24. Aggregate write-ins for miscellaneous expenses.....				
25. Total expenses incurred.....				(a).....
26. Less unpaid expenses—current year.....				
27. Add unpaid expenses—prior year.....				
28. Amounts receivable relating to uninsured plans, prior year.....				
29. Amounts receivable relating to uninsured plans, current year.....				
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)				
<b>DETAILS OF WRITE-INS</b>				
2401. ....				
2402. ....				
2403. ....				
2498. Summary of remaining write-ins for Line 24 from overflow page.....				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)				

(a) Includes management fees of \$..... to affiliates and \$..... to non-affiliates.

**ANNUAL STATEMENT BLANK – LIFE/FRATERNAL**

**EXHIBIT 2 – GENERAL EXPENSES**

	Insurance				5 Investment	6 Fraternal	7 Total
	1 Life	Accident and Health		4 All Other Lines of Business			
		2 Cost Containment	3 All Other				
1. Rent .....							
2. Salaries and wages .....							
3.11 Contributions for benefit plans for employees .....							
3.12 Contributions for benefit plans for agents .....							
3.21 Payments to employees under non-funded benefit plans .....							
3.22 Payments to agents under non-funded benefit plans .....							
3.31 Other employee welfare .....							
3.32 Other agent welfare .....							
4.1 Legal fees and expenses .....							
4.2 Medical examination fees .....							
4.3 Inspection report fees .....							
4.4 Fees of public accountants and consulting actuaries .....							
4.5 Expense of investigation and settlement of policy claims .....							
5.1 Traveling expenses .....							
5.2 Advertising .....							
5.3 Postage, express, telegraph and telephone .....							
5.4 Printing and stationery .....							
5.5 Cost or depreciation of furniture and equipment .....							
5.6 Rental of equipment .....							
5.7 Cost or depreciation of EDP equipment and software .....							
6.1 Books and periodicals .....							
6.2 Bureau and association fees .....							
6.3 Insurance, except on real estate .....							
6.4 Miscellaneous losses .....							
6.5 Collection and bank service charges .....							
6.6 Sundry general expenses .....							
6.7 Group service and administration fees .....							
6.8 Reimbursements by uninsured plans .....							
7.1 Agency expense allowance .....							
7.2 Agents' balances charged off (less \$..... recovered) .....							
7.3 Agency conferences other than local meetings .....							
8.1 Official publication (Fraternal Benefit Societies Only) .....	XXX	XXX	XXX	XXX	XXX		
8.2 Expense of supreme lodge meetings(Fraternal Benefit Societies Only) .....	XXX	XXX	XXX	XXX	XXX		
9.1 Real estate expenses .....							
9.2 Investment expenses not included elsewhere .....							
9.3 Aggregate write-ins for expenses .....							
10. General expenses incurred .....							
11. General expenses unpaid December 31, prior year .....						(b).....	(a).....
12. General expenses unpaid December 31, current year .....							
13. Amounts receivable relating to uninsured plans, prior year .....							
14. Amounts receivable relating to uninsured plans, current year .....							
15. General expenses paid during year (Lines 10 + 11 - 12 - 13 + 14)							
<b>DETAILS OF WRITE-INS</b>							
09.301. ....							
09.302. ....							
09.303. ....							
09.398. Summary of remaining write-ins for Line 9.3 from overflow page .....							
09.399. Totals (Lines 09.301 through 09.303 + 09.398) (Line 9.3 above)							
(a) Includes management fees of \$..... to affiliates and \$..... to non-affiliates.							
(b) Show the distribution of this amount in the following categories (Fraternal Benefit Societies Only)							
1. Charitable \$ .....	2. Institutional \$ .....	3. Recreational and Health \$ .....	4. Educational \$ .....				
5. Religious \$ .....	6. Membership \$ .....	7. Other \$ .....	8. Total \$ .....				

**ANNUAL STATEMENT BLANK – HEALTH**

**UNDERWRITING AND INVESTMENT EXHIBIT  
PART 3 – ANALYSIS OF EXPENSES**

	Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$..... for occupancy of own building).....	.....	.....	.....	.....	.....
2. Salaries, wages and other benefits.....	.....	.....	.....	.....	.....
3. Commissions (less \$ ..... ceded plus \$ ..... assumed).....	.....	.....	.....	.....	.....
4. Legal fees and expenses.....	.....	.....	.....	.....	.....
5. Certifications and accreditation fees.....	.....	.....	.....	.....	.....
6. Auditing, actuarial and other consulting services.....	.....	.....	.....	.....	.....
7. Traveling expenses.....	.....	.....	.....	.....	.....
8. Marketing and advertising.....	.....	.....	.....	.....	.....
9. Postage, express and telephone.....	.....	.....	.....	.....	.....
10. Printing and office supplies.....	.....	.....	.....	.....	.....
11. Occupancy, depreciation and amortization.....	.....	.....	.....	.....	.....
12. Equipment.....	.....	.....	.....	.....	.....
13. Cost or depreciation of EDP equipment and software.....	.....	.....	.....	.....	.....
14. Outsourced services including EDP, claims, and other services.....	.....	.....	.....	.....	.....
15. Boards, bureaus and association fees.....	.....	.....	.....	.....	.....
16. Insurance, except on real estate.....	.....	.....	.....	.....	.....
17. Collection and bank service charges.....	.....	.....	.....	.....	.....
18. Group service and administration fees.....	.....	.....	.....	.....	.....
19. Reimbursements by uninsured plans.....	.....	.....	.....	.....	.....
20. Reimbursements from fiscal intermediaries.....	.....	.....	.....	.....	.....
21. Real estate expenses.....	.....	.....	.....	.....	.....
22. Real estate taxes.....	.....	.....	.....	.....	.....
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes.....	.....	.....	.....	.....	.....
23.2 State premium taxes.....	.....	.....	.....	.....	.....
23.3 Regulatory authority licenses and fees.....	.....	.....	.....	.....	.....
23.4 Payroll taxes.....	.....	.....	.....	.....	.....
23.5 Other (excluding federal income and real estate taxes).....	.....	.....	.....	.....	.....
24. Investment expenses not included elsewhere.....	.....	.....	.....	.....	.....
25. Aggregate write-ins for expenses.....	.....	.....	.....	.....	.....
26. Total expenses incurred (Lines 1 to 25).....	.....	.....	.....	.....	.....
27. Less expenses unpaid December 31, current year.....	.....	.....	.....	.....	.....
28. Add expenses unpaid December 31, prior year.....	.....	.....	.....	.....	.....
29. Amounts receivable relating to uninsured plans, prior year.....	.....	.....	.....	.....	.....
30. Amounts receivable relating to uninsured plans, current year.....	.....	.....	.....	.....	.....
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	.....	.....	.....	.....	.....
<b>DETAILS OF WRITE-INS</b>					
2501. ....	.....	.....	.....	.....	.....
2502. ....	.....	.....	.....	.....	.....
2503. ....	.....	.....	.....	.....	.....
2598. Summary of remaining write-ins for Line 25 from overflow page.....	.....	.....	.....	.....	.....
2599. Totals (Line 2501 through 2503 + 2598) (Line 25 above)	.....	.....	.....	.....	.....

(a) Includes management fees of \$..... to affiliates and \$..... to non-affiliates.

**ANNUAL STATEMENT BLANK – TITLE**

**OPERATIONS AND INVESTMENT EXHIBIT  
PART 3 – EXPENSES**

	Title and Escrow Operating Expenses				5 Unallocated Loss Adjustment Expenses	6 Other Operations	7 Investment Expenses	Totals	
	1 Direct Operations	Agency Operations		4 Total (Cols. 1+2+3)				8 Current Year (Cols. 4+5+6+7)	9 Prior Year
		2 Non-affiliated Agency Operations	3 Affiliated Agency Operations						
1. Personnel costs:									
1.1 Salaries .....									
1.2 Employee relations and welfare .....									
1.3 Payroll taxes .....									
1.4 Other personnel costs .....									
1.5 Total personnel costs .....									
2. Amounts paid to or retained by title agents .....									
3. Production services (purchased outside):									
3.1 Searches, examinations and abstracts.....									
3.2 Surveys .....									
3.3 Other .....									
4. Advertising .....									
5. Boards, bureaus and associations.....									
6. Title plant rent and maintenance .....									
7. Claim adjustment services .....	XXX	XXX	XXX	XXX		XXX	XXX		
8. Amounts charged off, net of recoveries .....									
9. Marketing and promotional expenses.....									
10. Insurance.....									
11. Directors' fees .....									
12. Travel and travel items .....									
13. Rent and rent items .....									
14. Equipment.....									
15. Cost or depreciation of EDP equipment and software.....									
16. Printing, stationery, books and periodicals .....									
17. Postage, and telephone, messengers and express.....									
18. Legal and auditing .....									
19. Totals (Lines 1.5 to 18).....									
20. Taxes, licenses and fees:									
20.1 State and local insurance taxes .....									
20.2 Insurance department licenses and fees .....									
20.3 Gross guaranty association assessments.....									
20.4 All other (excluding federal income and real estate) .....									
20.5 Total taxes, licenses and fees (Lines 20.1 + 20.2 + 20.3 + 20.4).....									
21. Real estate expenses.....									
22. Real estate taxes .....									
23. Aggregate write-ins for other expenses .....									
24. Total expenses incurred (Lines 19+20.5+21+22+23) .....							(a)		
25. Less unpaid expenses - current year.....									
26. Add unpaid expenses - prior year .....									
27. TOTAL EXPENSES PAID (Lines 24 - 25 + 26)									
<b>DETAILS OF WRITE-INS</b>									
2301. ....									
2302. ....									
2303. ....									
2398. Summary of remaining write-ins for Line 23 from overflow page.....									
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)									

(a) Includes management fees of \$..... to affiliates and \$..... to non-affiliates.