2019 NAIC QUARTERLY STATEMENT INSTRUCTIONS – LIFE & FRATERNAL

NOV 2019 REVISIONS

PAGE 117 – 119: INVESTMENT SCHEDULES GENERAL INSTRUCTIONS
Revision: Remove structured securities flow chart
Reason: Changes made to SSAP 43R by SAPWG and changes by VOSTF to their Purposes and Procedures Manual

EDITOR'S NOTE:

The above changes are highlighted within the attached instructions that follow this page.

Recent Blanks (E) Working Group Agenda Items (Exposure Drafts) may be viewed in detail at the following web site: www.naic.org/cmte_e_app_blanks.htm.
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STRUCTURED SECURITIES (SSAP No. 43R—LOAN-BACKED AND STRUCTURED SECURITIES) FLOW CHART

Does the security meet the definition of SSAP No. 43R—Loan-Backed and Structured Securities?

Yes

Go To A

Apply the 5GI/6* rule in accordance with Part Two, Section 5(f)-(g) of the P&P Manual1.

Report NAIC 1 designation (no suffix) in accordance with Part Six, Section 2(e) of the P&P Manual1.

No

Are these securities considered “Exempt Obligations” for purposes of determining AVR and Risk?

Yes

Follow instructions for modeled securities.

Use insurance company’s internal designation with a Z suffix.

No

Is this security an Equipment Trust Certificate, Credit Tenant Lease, or designated by the SVO?

Yes

Does this security have a designation assigned by the SVO?

Yes

Use the SVO assigned designation.

No

Convert CRP rating into NAIC designation in accordance with Part Two, Section 4(d)(i) of the P&P Manual1.

Is this security rated by an CRP?

Yes

Is this security a new purchase? (120 day rule)

Yes

Use this designation with an FE suffix.

No

Follow instructions for modified FE securities.

Is this security a new purchase? (120 day rule)

Report NAIC 1 designation in accordance with Part Six, Section 2(e) of the P&P Manual1.

Go To A

Follow instructions for modified FE securities.
SECURITIES SUBJECT TO MODIFIED FILING EXEMPT PROCESS

1. Is this security rated by a CRP?
   - Yes: Convert CRP rating into NAIC designation in accordance with Part Two, Section 4(d)(i) of the P&P Manual1.
   - No: Is this security a new purchase? (120 day rule)
     - Yes: Apply the 5GI/6* rule in accordance with Part Two, Section 5(f)-(g) of the P&P Manual1.
     - No: Use insurance company’s internal designation with a Z suffix.

2. Do you maintain an AVR?
   - Yes: Is the initial designation a 1-5?
     - Yes: Report as final designation using amortized cost as B./A.C.V. with AM suffix.
     - No: Determine lower of amortized cost or fair value. Is the amount amortized cost?
       - Yes: Report final designation using amortized cost as B./A.C.V. with AM Suffix.
       - No: Report final designation using fair value as B./A.C.V. with AM suffix.
   - No: Does the converted designation have a 6?
     - Yes: Report the NAIC 6 using lower of amortized cost or fair value as B./A.C.V. with FE suffix.
     - No: Using the converted designation (2-5), apply fair value to MFE pricing matrix to determine final NAIC designation.

1 Purposes and Procedures Manual of the NAIC Investment Analysis Office

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SECURITIES SUBJECT TO MODELING

Do

Obtain modeled breakpoint values from vendors.

Yes

Is the model result subject to zero losses in all scenarios?

Yes

Report the NAIC 1 using amortized cost as B./A.C.V. with FM suffix.

No

Determine lower of amortized cost or fair value. Is the amount amortized cost?

No

Apply amortized cost to the breakpoint values assigned to the six NAIC designations for each CUSIP to obtain the initial designation.

No

Do you maintain an AVR?

Yes

Determine lower of amortized cost or fair value. Is the amount amortized cost?

No

Apply fair value to the breakpoint values to determine the final NAIC designation.

Yes

Report final designation using fair value as B./A.C.V. with FM suffix.

No

Apply amortized cost to the breakpoint values assigned to the six NAIC designations for each CUSIP to obtain the initial designation.

Yes

Is the initial designation a 1-5?

No

Report as final designation using amortized cost as B./A.C.V. with FM suffix.

Yes

Is the initial designation a 1 or 2?

No

Report as final designation using amortized cost as B./A.C.V. with FM suffix.

Yes

Determine lower of amortized cost or fair value. Is the amount amortized cost?

No

Report as final designation using amortized cost as B./A.C.V. with FM suffix.

Yes

Obtain modeled breakpoint values from vendors.

Not

Apply amortized cost to the breakpoint values assigned to the six NAIC designations for each CUSIP to obtain the initial designation.

No

Do you maintain an AVR?

Yes

Determine lower of amortized cost or fair value. Is the amount amortized cost?

No

Apply fair value to the breakpoint values to determine the final NAIC designation.

Yes

Report final designation using fair value as B./A.C.V. with FM suffix.
# SCHEDULE A – VERIFICATION

## REAL ESTATE

<table>
<thead>
<tr>
<th>Column 1</th>
<th>Year to Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Include all transactions from beginning of current year to end of current quarter.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Column 2</th>
<th>Prior Year-Ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td>Include all transactions from beginning of prior year to end of prior year.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Line 1</th>
<th>Book/Adjusted Carrying Value, December 31 of Prior Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Report the book/adjusted carrying value excluding accrued interest of real estate owned as of December 31 of the prior year’s annual statement.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Line 2.1</th>
<th>Actual Cost at Time of Acquisitions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Report the actual cost at the time the asset was originally acquired. Do not include additional expenditures after the time of initial acquisition. These amounts are reported on Line 2.2. Amount should agree with the amount reported in Schedule A, Part 2, Column 6 for the year-to-date.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Line 2.2</th>
<th>Additional Investment Made After Acquisition</th>
</tr>
</thead>
<tbody>
<tr>
<td>On a year-to-date basis, report additions and improvements that increased the investment subsequent to the time the asset was originally acquired. Amount should agree with the amount reported in Schedule A, Part 2, Column 9 for the year-to-date.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Line 3</th>
<th>Current Year Change in Encumbrances</th>
</tr>
</thead>
<tbody>
<tr>
<td>Report as a positive number any year-to-date decreases in encumbrances reported on real estate. Report as a negative number any year-to-date increases in encumbrances, including the amount on properties still owned and the amount on properties disposed and reported on Schedule A, Part 3, Column 11.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Line 4</th>
<th>Total Gain (Loss) on Disposals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Report the total gain (loss) on disposal of real estate for the year-to-date including the total gain (loss) of real estate in the current quarter as reported on Schedule A, Part 3, Column 18.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Line 5</th>
<th>Deduct Amounts Received on Disposals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Report the total amounts received as consideration on disposal of real estate for the year-to-date including the total in the current quarter as reported on Schedule A, Part 3, Column 15.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Line 6</th>
<th>Total Foreign Exchange Change in Book/Adjusted Carrying Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Report the unrealized foreign exchange gain or loss on a year-to-date basis including the amount on properties still owned and the amount on properties disposed and reported on Schedule A, Part 3, Column 16.</td>
<td></td>
</tr>
</tbody>
</table>