

Introduction to the Life and P&C Annual Statement

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Introduction to the Annual Statement

What Is An Annual Statement?

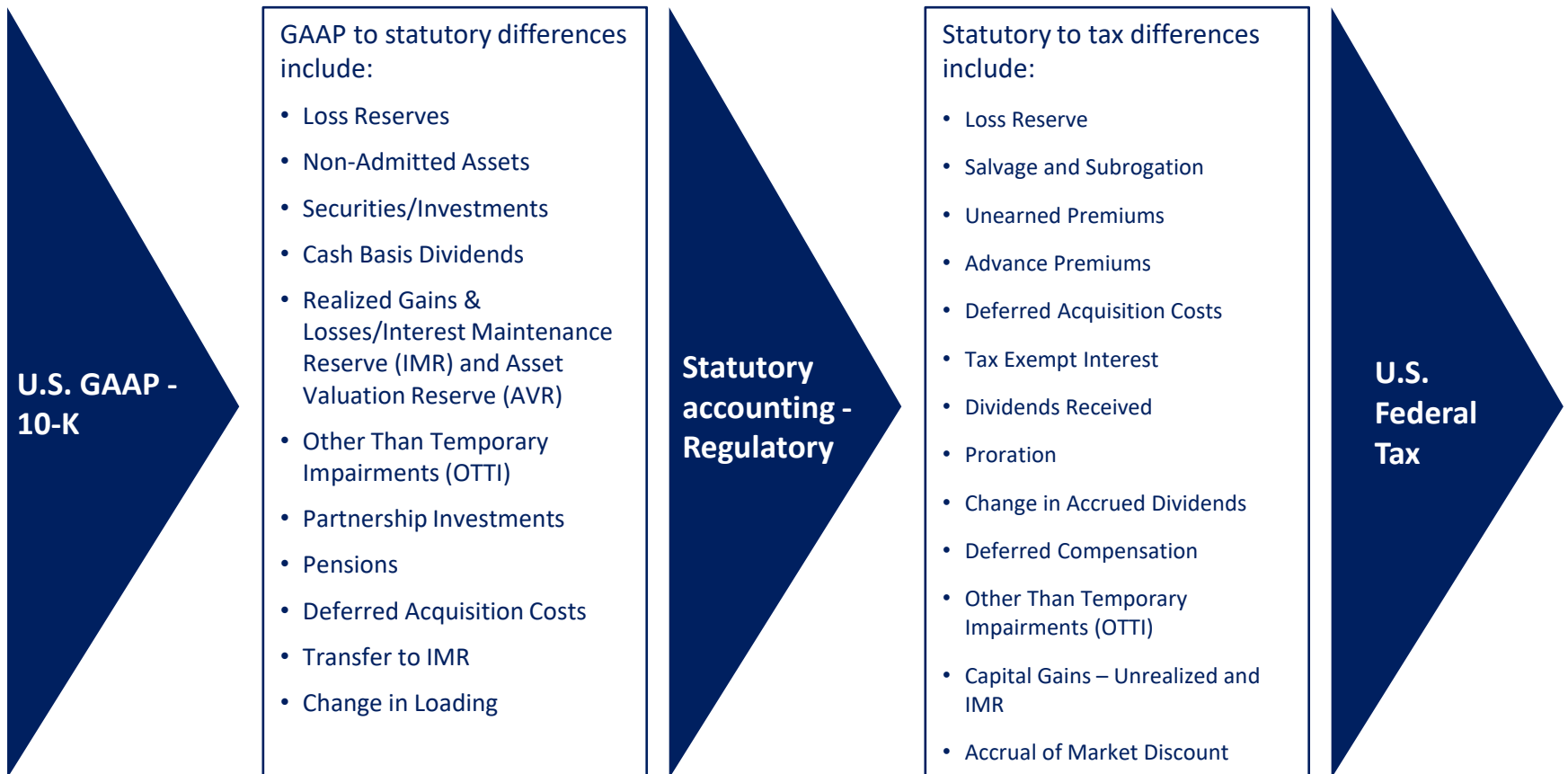
- GAAP: Set of Generally Accepted Accounting Principles used by corporations to prepare financial statements.
 - All insurance companies are organized as a corporation:
 - Mutual Insurance Companies: Organized/owned by the policyholders who share in the insurance company's profits and operate for their collective benefit
 - Stock Insurance Companies: Organized/owned by stockholders for the benefit of the policyholders and stockholders
- P&C and life insurance companies file a separate report under the statutory basis of accounting with their state insurance commissioner, known as **the Annual Statement**.

Financial Reporting – STAT Accounting

- Statutory Accounting Principles (SAP) form the foundation for amounts reported in the statutory annual statement.
 - The basic concern of SAP is solvency. If the insurance company were liquidated, what assets would likely be available to pay policyholder claims?
- The concern over solvency is also demonstrated on the income statement: policy acquisition expenses are immediately expensed, rather than capitalized, as they are for GAAP purposes
- SAP generally requires the recognition of current and deferred taxes similar to GAAP, with several modifications based on the primary concerns and operations of an insurance company
 - The primary difference in accounting for deferred income taxes for Statutory Accounting in comparison to GAAP is that Statutory Accounting employs an admissibility test with respect to DTAs through the admissibility test in Statements on Statutory Accounting Principles (“SSAP”) 101.
 - In addition, deferred tax expense (change in deferred tax asset/liability) is recorded through income statement (P&L) for GAAP and recorded through surplus for STAT.

Taxation Basics: STAT to Tax

Section 811(a) indicates that computations in determining income taxes for insurance companies shall be made in a manner consistent with the manner required for purposes of the annual statement approved by the National Association of Commissioners (NAIC).



Financial Statements: Source Document

Structure of the Annual Statement

- NAIC A/S information obtained from the following books based on the type of company:
 - P&C (yellow book)
 - Life & Retirement (blue book)
 - Life & Annuity – Separate Accounts (green book)
 - Accident & Health Prescription (orange book)

Assets – Page 2

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D)	853,270,064		853,270,064	781,726,493
2. Stocks (Schedule D):				
2.1 Preferred stocks	7,029		7,029	7,029
2.2 Common stocks	29,275,311		29,275,311	38,242,514
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens	184,163		184,163	191,069
3.2 Other than first liens			0	
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$.....0 encumbrances)			0	1,645,502
4.2 Properties held for the production of income (less \$.....0 encumbrances)	1,598,127		1,598,127	
4.3 Properties held for sale (less \$.....0 encumbrances)			0	
5. Cash (\$....10,707,722, Schedule E-Part 1), cash equivalents (\$.....0, Schedule E-Part 2) and short-term investments (\$.....0, Schedule DA)	10,707,722		10,707,722	12,609,335
6. Contract loans (including \$.....0 premium notes)	87,880,917		87,880,917	61,112,277
7. Derivatives (Schedule DB)			0	
8. Other invested assets (Schedule BA)	21,614		21,614	21,614
9. Receivables for securities			0	
10. Securities lending reinvested collateral assets (Schedule DL)			0	
11. Aggregate write-ins for invested assets	0	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11)	962,944,948	0	962,944,948	892,755,833
13. Title plants less \$.....0 charged off (for Title Insurers only)			0	
14. Investment income due and accrued	14,136,050		14,136,050	12,613,435
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	9,433,851	170,784	9,263,067	9,212,241
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums)	8,641,322		8,641,322	8,474,444
15.3 Accrued retrospective premiums (\$.....0) and contracts subject to redetermination (\$.....0)			0	
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	105,000		105,000	82,883
16.2 Funds held by or deposited with reinsured companies			0	
16.3 Other amounts receivable under reinsurance contracts	150,472		150,472	199,962
17. Amounts receivable relating to uninsured plans			0	
18.1 Current federal and foreign income tax recoverable and interest thereon			0	
18.2 Net deferred tax asset	14,178,412	12,270,322	6,908,090	10,313,095
19. Guaranty funds receivable or on deposit	34,095		34,095	40,244
20. Electronic data processing equipment and software			0	
21. Furniture and equipment, including health care delivery assets (\$.....0)			0	
22. Net adjustment in assets and liabilities due to foreign exchange rates			0	
23. Receivables from parent, subsidiaries and affiliates			0	
24. Health care (\$.....0) and other amounts receivable			0	
25. Aggregate write-ins for other-than-invested assets	24,361	2,008	22,353	41,683
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	1,012,848,511	12,443,114	1,000,205,397	932,713,820
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	
28. TOTAL (Lines 26 and 27)	1,012,848,511	12,443,114	1,000,205,397	932,713,820

Liabilities, Surplus, Other Funds – Page 3

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Aggregate reserve for life contracts \$ 844,489,529 (Exhibit 5, Line 9999999) less \$.0 Included in Line 6.3 (including \$.0 Modco Reserve)	844,489,529	771,803,238
2. Aggregate reserve for accident and health contracts (including \$.0 Modco Reserve)	853,969	867,813
3. Liability for deposit-type contracts (Exhibit 7, Line 14, Col. 1) (including \$.0 Modco Reserve)	77,795,167	70,810,635
4. Contract claims:		
4.1 Life (Exhibit 6, Part 1, Line 4.4, Col. 1 less sum of Col. 9, 10 and 11)	2,291,818	2,513,883
4.2 Accident and health (Exhibit 6, Part 1, Line 4.4, sum of Col. 9, 10 and 11)	16,050	20,571
5. Policyholders' dividends \$.0 and coupons \$.0 due and unpaid (Exhibit 4, Line 10)		
6. Provision for policyholders' dividends and coupons payable in following calendar year - estimated amounts:		
6.1 Dividends apportioned for payment (including \$.0 Modco)	4,785,022	5,362,431
6.2 Dividends not yet apportioned (including \$.0 Modco)		
6.3 Coupons and similar benefits (including \$.0 Modco)		
7. Amount provisionally held for deferred dividend policies not included in Line 6		
8. Premiums and annuity considerations for life and accident and health contracts received in advance less \$.0 discount, including \$ 100 accident and health premiums (Exhibit 1, Part 1, Col. 1, sum of Lines 4 and 14)	1,085,751	910,596
9. Contract liabilities not included elsewhere:		
9.1 Surrender values on canceled contracts	592,290	288,540
9.2 Provision for experience rating refunds, including the liability of \$.0 accident and health experience rating refunds of which \$.0 is for medical loss ratio rebate per the Public Health Service Act		
9.3 Other amounts payable on reinsurance, including \$.0 assumed and \$.0 ceded		
9.4 Interest Maintenance Reserve (IMR, Line 6)	350,794	803,759
10. Commissions to agents due or accrued - life and annuity contracts \$.0, accident and health \$.0 and deposit-type contract funds \$.0		
11. Commissions and expense allowances payable on reinsurance assumed		
12. General expenses due or accrued (Exhibit 2, Line 12, Col. 6)		
13. Transfers to Separate Accounts due or accrued (net) (including \$.0 accrued for expense allowances recognized in reserves, net of reinsured allowances)		
14. Taxes, licenses and fees due or accrued, excluding federal income taxes (Exhibit 3, Line 9, Col. 5)	180,048	2,743
15.1 Current federal and foreign income taxes, including \$.0 on realized capital gains (losses)	4,849,581	6,141,286
15.2 Net deferred tax liability		
16. Unearned investment income	2,683,931	2,400,648
17. Amounts withheld or retained by company as agent or trustee	2,559,189	2,597,242
18. Amounts held for agents' account, including \$ 1,598,862 agents' credit balances	1,598,862	2,624,925
19. Remittances and items not allocated	4,108,190	8,639,395
20. Net adjustment in assets and liabilities due to foreign exchange rates		
21. Liability for benefits for employees and agents if not included above		
22. Borrowed money \$.0 and interest thereon \$.0		
23. Dividends to stockholders declared and unpaid		
24. Miscellaneous liabilities:		
24.01 Asset valuation reserve (AVR Line 16, Col. 7)	1,925,077	1,605,602
24.02 Reinsurance in unauthorized and certified (\$.0) companies		
24.03 Funds held under reinsurance treaties with unauthorized and certified (\$.0) reinsurers		
24.04 Payable to parent, subsidiaries and affiliates	3,943,735	2,178,732
24.05 Drafts outstanding		
24.06 Liability for amounts held under uninsured plans		
24.07 Funds held under coinsurance		
24.08 Derivatives		
24.09 Payable for securities		3,000,951
24.10 Payable for securities lending		
24.11 Capital notes \$.0 and interest thereon \$.0		
25. Aggregate write-ins for liabilities	11,400,912	15,410,999
26. Total liabilities excluding Separate Accounts business (Lines 1 to 25)	965,075,741	897,841,786
27. From Separate Accounts Statement		
28. Total liabilities (Line 26 and 27)	965,075,741	897,841,786
29. Common capital stock	3,150,000	3,150,000
30. Preferred capital stock		
31. Aggregate write-ins for other-than-special surplus funds	.0	.0
32. Surplus notes		
33. Gross paid in and contributed surplus (Page 3, Line 33, Col. 2 plus Page 4, Line 51.1, Col. 1)	50,846,851	45,846,851
34. Aggregate write-ins for special surplus funds	.0	.0
35. Unassigned funds (surplus)	(18,867,195)	(14,124,817)
36. Less treasury stock, at cost:		
36.1 .0.000 shares common (value included in Line 29 \$.0)		
36.2 .0.000 shares preferred (value included in Line 30 \$.0)		
37. Surplus (Total Lines 31 + 32 + 33 + 34 + 35 - 36) (including \$.0 in Separate Accounts Statement)	31,079,656	31,722,034
38. Totals of Lines 29, 30 and 37 (Page 4, Line 55)	35,129,656	34,872,034
39. Totals of Lines 28 and 38 (Page 2, Line 28, Col. 3)	1,000,205,397	932,713,820

Statement of Income/Summary of Operations

– Page 4

SUMMARY OF OPERATIONS

	1 Current Year	2 Prior Year
1. Premiums and annuity considerations for life and accident and health contracts (Exhibit 1, Part 1, Line 20.4, Col. 1, less Col. 1)	157,143,311	156,711,713
2. Considerations for supplementary contracts with life contingencies	686,336	591,550
3. Net investment income (Exhibit of Net Investment Income, Line 17)	38,800,815	53,548,328
4. Amortization of Interest Maintenance Reserve (IMR) (Line 5)	2,397	137,488
5. Separate Accounts net gain from operations excluding unrealized gains or losses		1,407
6. Commissions and expense allowances on reinsurance ceded (Exhibit 1, Part 2, Line 26.1, Col. 1)	214	1,407
7. Reserve adjustments on reinsurance ceded		
8. Miscellaneous Income:		
8.1 Income from fees associated with investment management, administration and contract guarantees from Separate Accounts		
8.2 Charges and fees for deposit-type contracts		
8.3 Aggregate write-ins for miscellaneous income	205,077	168,824
9. Totals (Lines 1 to 8.3)	196,906,950	211,159,315
10. Death benefits	4,778,327	5,037,991
11. Matured endowments (excluding guaranteed annual pure endowments)	2,342,131	2,934,538
12. Annuity benefits (Exhibit 6, Part 2, Line 6.4, Cols. 4 + 6)	294,171	441,761
13. Disability benefits and benefits under accident and health contracts	253,328	364,576
14. Coupons, guaranteed annual pure endowments and similar benefits	15,117,310	16,160,365
15. Surrender benefits and withdrawals for life contracts	38,928,660	34,128,874
16. Group conversions		
17. Interest and adjustments on contract or deposit-type contract funds	2,696,416	2,417,358
18. Payments on supplementary contracts with life contingencies	184,841	160,981
19. Increase in aggregate reserves for life and accident and health contracts	72,672,669	71,424,900
20. Totals (Lines 10 to 19)	137,257,651	133,080,342
21. Commissions on premiums, annuity considerations and deposit-type contract funds (direct business only) (Exhibit 1, Part 2, Line 31, Col. 1)	25,621,629	29,093,790
22. Commissions and expense allowances on reinsurance assumed (Exhibit 1, Part 2, Line 26.2, Col. 1)	64,215	53,973
23. General insurance expenses (Exhibit 2, Line 10, Columns 1, 2, 3 and 4)	20,209,342	14,518,308
24. Insurance taxes, licenses and fees, excluding federal income taxes (Exhibit 3, Line 7, Cols. 1 + 2 + 3)	723,985	454,847
25. Increase in loading on deferred and uncollected premiums	(323,498)	204,173
26. Net transfers to or (from) Separate Accounts net of reinsurance		
27. Aggregate write-ins for deductions	(3,052,705)	2,139,842
28. Totals (Lines 20 to 27)	180,510,629	179,955,273
29. Net gain from operations before dividends to policyholders and federal income taxes (Line 9 minus Line 28)	16,396,321	31,604,041
30. Dividends to policyholders	5,986,117	8,291,886
31. Net gain from operations after dividends to policyholders and before federal income taxes (Line 29 minus Line 30)	10,410,204	25,312,155
32. Federal and foreign income taxes incurred (excluding tax on capital gains)	4,649,264	8,793,886
33. Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or losses (Line 31 minus Line 32)	5,760,940	16,518,269
34. Net realized capital gains (losses) (excluding gains (losses) transferred to the IMR) less capital gains tax of \$.....0 (excluding taxes of \$.....0 transferred to the IMR)	2,687	(2,040,027)
35. Net income (Line 33 plus Line 34)	5,763,627	14,478,242
CAPITAL AND SURPLUS ACCOUNT		
36. Capital and surplus, December 31, prior year (Page 3, Line 36, Col. 2)	34,872,034	36,089,293
37. Net income (Line 35)	5,763,627	14,478,242
38. Change in net unrealized capital gains (losses) less capital gains tax of \$.....0	(6,687,203)	(18,905,580)
39. Change in net unrealized foreign exchange capital gain (loss)		
40. Change in net deferred income tax	(6,701,131)	2,804,896
41. Change in nonadmitted assets	3,402,504	153,792
42. Change in liability for reinsurance in unauthorized and certified companies		
43. Change in reserve on account of change in valuation basis, (increase) or decrease		
44. Change in asset valuation reserve	(319,475)	1,454,348
45. Change in treasury stock, (Page 3, Lines 36.1 and 38.2 Col. 2 minus Col. 1)		
46. Surplus (contributed to) withdrawn from Separate Accounts during period		
47. Other changes in surplus in Separate Accounts Statement		
48. Change in surplus notes		
49. Cumulative effect of changes in accounting principles		
50. Capital changes:		
50.1 Paid in		
50.2 Transferred from surplus (Stock Dividend)		
50.3 Transferred to surplus		
51. Surplus adjustment:		
51.1 Paid in	5,000,000	
51.2 Transferred to capital (Stock Dividend)		
51.3 Transferred from capital		
51.4 Change in surplus as a result of reinsurance		
52. Dividends to stockholders		
53. Aggregate write-ins for gains and losses in surplus	0	0
54. Net change in capital and surplus for the year (Lines 37 through 53)	257,802	(214,259)
55. Capital and surplus, December 31, current year (Lines 36 + 54) (Page 3, Line 26)	35,130,658	34,873,034

Cash Flows – Page 5

CASH FLOW		
	1	2
	Current Year	Prior Year
CASH FROM OPERATIONS		
1. Premiums collected net of reinsurance	158,110,500	155,356,098
2. Net investment income	50,440,887	60,145,563
3. Miscellaneous income	205,291	170,231
4. Total (Lines 1 through 3)	208,756,554	217,672,891
5. Benefit and loss related payments	64,540,425	61,468,735
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	45,538,384	44,119,535
8. Dividends paid to policyholders	6,593,528	7,118,062
9. Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses)	6,141,609	1,001,427
10. Total (Lines 5 through 9)	122,794,004	114,668,359
11. Net cash from operations (Line 4 minus Line 10)	85,961,550	103,004,533
CASH FROM INVESTMENTS		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	57,106,204	43,457,041
12.2 Stocks		4,697,293
12.3 Mortgage loans	6,908	6,458
12.4 Real estate	20,704	
12.5 Other invested assets		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds		604,116
12.8 Total investment proceeds (Lines 12.1 to 12.7)	57,133,814	48,765,478
13. Cost of investments acquired (long-term only):		
13.1 Bonds	141,000,020	108,245,758
13.2 Stocks		150,000
13.3 Mortgage loans		
13.4 Real estate	3,092	80,095
13.5 Other invested assets		
13.6 Miscellaneous applications	3,060,951	
13.7 Total investments acquired (Lines 13.1 to 13.6)	144,763,063	108,477,451
14. Net increase (decrease) in contract loans and premium notes	6,768,640	6,599,257
15. Net cash from investments (Line 12.8 minus Lines 13.7 minus Line 14)	(94,367,869)	(156,281,230)
CASH FROM FINANCING AND MISCELLANEOUS SOURCES		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock	5,000,000	
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities	6,984,532	7,984,552
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	(5,499,806)	6,617,511
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	6,514,726	14,602,063
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(1,901,613)	(36,674,634)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	12,000,335	51,283,069
19.2 End of year (Line 18 plus Line 19.1)	10,707,722	12,608,335

Note: Supplemental disclosure of cash flow information for cash investments

Premiums

Premiums

- Premiums are amounts collected by an insurer from a policyholder to provide coverage under a given insurance plan for a defined period of time
 - Earned premiums: portion of premium related to expiration of the contract's risk period. Earned premiums are recognized currently in income
 - Unearned premiums: portion of gross written premium allocable to the unexpired term of the insurance contract. Instead of recognizing the unearned portion of premium income through P&L, a liability is established for the unearned premium reserve (UPR)
 - As terms of a contract expires, the related portion of the unearned premium becomes earned. The UPR liability is reduced and the earned premiums are recognized in income

P&C: Unearned Premiums Tax Adjustment

Premiums Earned per I.R.C. Section 832(b)(4)

...“Premiums earned on insurance contracts during the taxable year” means an amount computed as follows:

(A) From the amount of gross premiums written on insurance contracts during the taxable year, deduct return premiums and premiums paid for reinsurance.

(B) To the result obtained, add 80 percent of the unearned premiums on outstanding business at the end of the preceding taxable year and deduct 80 percent of the unearned premiums on outstanding business at the end of the taxable year.

Gross written premium
- return premiums
- premiums paid for reinsurance
+ 80% of prior year ending UEP
<u>- 80% of current year ending UEP</u>
Premiums earned

P&C: Earned Premiums: Current Tax

- **Step 1:** Net Premiums Written are obtained from Line 35 of the Underwriting and Investment Exhibit of the Annual Statement
 - Consider and include advanced premium amounts not excludable pursuant to the I.R.C. Section 1.832-4(a)(5)(iii) exception
- **Step 2:** Prior year and current year Unearned Premiums are obtained from Page 3, Line 9 of the Annual Statement
 - Note: These amounts are discounted at 80% pursuant to I.R.C. Section 832(b)(4)
 - Apply unearned premium treatment to premiums received in advance
- **Step 3:** Subtract 80% of current year unearned premium from the sum of current year net written premiums and 80% of prior year unearned premium
- **Step 4:** Report the resulting amount for taxable premiums earned on Schedule A, Line 1 of Form 1120-PC

P&C: Earned Premiums: Current Tax (cont.)

Annual Statement

1) NPW from A/S

ANNUAL STATEMENT FOR THE YEAR 2012 OF

UNDERWRITING AND INVESTMENT EXHIBIT
PART 1 - PREMIUMS EARNED

Line of business	1 Net Premiums Written Per Column 6, Part 1A	2 Unearned Premiums Dec. 31 Prior Year per Column 3, Last Year's Part 1	3 Unearned Premiums Dec. 31 Current Year, per Column 3, Part 1A	4 Premiums Earned During Year (Column 1 + 2 - 3)
35. TOTALS	199,232,904	211,420,383	283,926,011	156,727,276

2) PY & CY UPR from A/S

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 35, Column 8)	19,509,455	35,717,545
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)		
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	153,965	130,100
4. Commissions payable, contingent commissions and other similar charges	365,227	354,183
5. Other expenses (excluding taxes, licenses and fees)	2,753,189	2,926,726
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	19,053,373	7,812,040
7.1 Current federal and foreign income taxes (including \$.....0 on realized capital gains (losses))		
7.2 Net deferred tax liability		
8. Borrowed money \$.....0 and interest thereon \$.....0		
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for coded reinsurance of \$.....234,444,112 and including warranty reserves of \$.....0 and accrued accident and health experience rating refunds including \$.....0 for medical loss ratio rebate per the Public Health Service Act)	283,926,011	241,420,383

Tax Return

3) (NPW + 80% PY UPR)—80% CY UPR

Form 1120-PC (2011) Page 5

Schedule E Premiums Earned—Section 832 (see instructions)

1	Net premiums written	1	Step 1
2	Unearned premiums on outstanding business at the end of the preceding tax year.		
a	Enter 100% of life insurance reserves included in unearned premiums (section 832(b)(7)(A)) and unearned premiums of section 833 organizations (see instructions)	2a	
b	Enter 90% of unearned premiums attributable to insuring certain securities	2b	
c	Discounted unearned premiums attributable to title insurance	2c	
d	Enter 80% of all other unearned premiums (see instructions)	2d	Step 2 - PY
e	Total. Add lines 2a through 2d	2e	
3	Total. Add lines 1 and 2e	3	
4	Unearned premiums on outstanding business at the end of the current tax year:		
a	Enter 100% of life insurance reserves included in unearned premiums (section 832(b)(7)(A)) and unearned premiums of section 833 organizations (see instructions)	4a	
b	Enter 90% of unearned premiums attributable to insuring certain securities	4b	
c	Discounted unearned premiums attributable to title insurance	4c	
d	Enter 80% of all other unearned premiums (see instructions)	4d	Step 2 - CY
e	Total. Add lines 4a through 4d	4e	
5	Subtract line 4e from line 3	5	Step 3
6	Transitional adjustments under section 832(b)(7)(D) (see instructions)	6	
7	Premiums earned. Add lines 5 and 6. Enter here and on Schedule A, line 1.	7	Step 4

4) Report Prem. Earned on Sch. A, Ln. 1

Form 1120-PC (2011) Page 2

Schedule A Taxable Income—Section 832 (see instructions)

1	Premiums earned (Schedule E, line 7)	1	Step 4
2	Dividends (Schedule C, line 14)	2	
3a	Gross interest		
b	Interest exempt under section 103		
c	Subtract line 3b from line 3a		
d	Taxable interest. Subtract line 3c, column (b) from line 3c, column (a)	3d	
4	Gross rents	4	
5	Gross royalties	5	
6	Capital gain net income (attach Schedule D (Form 1120))	6	
7	Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)	7	
8	Certain mutual fire or flood insurance company premiums (section 832(b)(1)(D))	8	
9	Income on account of special income and deduction accounts	9	
10	Income from protection against loss account (see instructions)	10	
11	Mutual reinsurers or reciprocal underwriters—decrease in subscriber accounts	11	
12	Income from a special loss discount account (attach Form 8816)	12	
13	Other income (attach schedule)	13	
14	Gross income. Add lines 1 through 13	14	

Life: Taxable Premium Income: §803(a)

+	Premiums and annuity considerations for life and accident and health contracts
+	Considerations for supplementary contracts with life contingencies
+/-	Other considerations arising out of indemnity reinsurance
+/-	Change in the liability for advance premiums
+/-	Change in the liability for deposit type contracts
+/-	Change in the asset for due and deferred premiums
=	Taxable premium income

Life: Taxable Premium Income: §803(a) (cont.)

Premiums per annual statement:	Reference
Premiums & Annuity Considerations	A/S Page 4, Line 1
Considerations for Supp. Contracts w/Life Cont.	A/S Page 4, Line 2
Annual Statement Subtotal:	
Reclasses:	
Change in Advance Premiums:	
Plus CY	A/S Page 3, Line 8
Less PY	A/S Page 3, Line 8
Net change	
Change in deposit type contract:	
Plus CY	A/S Page 3, Line 3
Less PY	A/S Page 3, Line 3
Net change	
Change in due and deferred premiums:	
Plus CY	A/S Page 2, Line 15
Less PY	A/S Page 2, Line 15
Net change	
Consideration on Reinsurance Agreements – AE	
Assets Received (Ceded) from Reinsurance	
Adjusted Premium Income Per Annual Statement	

Investments

Investment Income

- Investment income: Composed of the gross amount of income earned during the taxable year from interest, dividends, rents, and royalties.
 - Interest: Income generated from investments in financial instruments that represents a fee for the utilization of cash
- Interest, dividends, rents and royalties are typically treated as ordinary income for tax purposes.
- P&C: Annual Statement - Statement of Income pg. 4, Line 9
- Life: Annual Statement - Statement of Operations pg. 4, Line 3
- Life & P&C: Exhibit of Net Investment Income
- 1120-PC, pg. 1, Line 2
- 1120-L, pg. 1, Line 4

Investments Schedules

- Schedule A
 - Real estate investments
- Schedule B
 - Mortgage loans
- Schedule BA
 - Other long-term invested assets
- Schedule D
 - Bonds and stocks
- Schedule DB
 - Options, caps, floors, collars, swaps, and forwards investments
- Schedule DA
 - Short-term investments
- Schedule DL
 - Securities lending collateral assets
- Schedule E
 - Cash, cash equivalents, and special deposits

P&C: Investment Income

STATEMENT OF INCOME

	1 Current Year	2 Prior Year
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 35, Column 4)	2,173,558,671	1,940,933,381
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	1,297,573,690	1,175,142,258
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	334,259,787	337,249,720
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	760,113,901	712,587,774
5. Aggregate write-ins for underwriting deductions	0	0
6. Total underwriting deductions (Lines 2 through 5)	2,391,947,378	2,224,979,752
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(218,388,707)	(284,046,371)
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	81,132,988	70,023,088
10. Net realized capital gains (losses) less capital gains tax of \$.....(3,007,130) (Exhibit of Capital Gains (Losses))	8,501,317	(11,853,791)
11. Net investment gain (loss) (Lines 9 + 10)	80,624,305	58,169,298

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. government bonds	(a) 6,030,249	5,959,118
1.1 Bonds exempt from U.S. tax	(a) 4,235,273	3,126,962
1.2 Other bonds (unaffiliated)	(a) 67,736,682	70,333,803
2. Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	(b) 2,064	2,160
2.21 Common stocks of affiliates	(b)	
3. Mortgage loans	(c)	
4. Real estate	(d) 1,938,665	1,938,665
5. Contract loans	(d)	
6. Cash, cash equivalents and short-term investments	(e) 1,137,698	1,137,698
7. Derivative instruments	(f)	
8. Other invested assets	(f) 1,011,752	1,011,752
9. Aggregate write-ins for investment income	(f) 865,797	865,797
10. Total gross investment income	82,958,180	84,375,956
11. Investment expenses	(g)	2,774,148
12. Investment taxes, licenses and fees, excluding federal income taxes	(g)	
13. Interest expense	(g)	
14. Depreciation on real estate and other invested assets	(g) 468,821	
15. Aggregate write-ins for deductions from investment income	(g)	
16. Total deductions (Lines 11 through 15)		3,242,968
17. Net investment income (Line 10 minus Line 16)		81,132,988

Form 1120-PC		U.S. Property and Casualty Insurance Company		OMB No. 1545-0123
Department of the Treasury Internal Revenue Service		For calendar year 2019, or tax year beginning , 2019, ending , 20		2019
		Go to www.irs.gov/Form1120PC for instructions and the latest information.		
A Check if:		Name		B Employer identification number
1 Consolidated return (attach Form 951) <input type="checkbox"/>		Number, street, and room or suite no. If a P.O. box, see instructions.		C Date incorporated
2 Life-nonlife consolidated return <input type="checkbox"/>				D Check applicable box if an election has been made under section(s):
3 Schedule M-3 (Form 1120-PC) attached <input type="checkbox"/>				<input type="checkbox"/> 831(b) <input type="checkbox"/> 953(c)(3)(C) <input type="checkbox"/> 953(d)
E Check if: (1) <input type="checkbox"/> Final return (2) <input type="checkbox"/> Name change (3) <input type="checkbox"/> Address change (4) <input type="checkbox"/> Amended return		City or town, state or province, country, and ZIP or foreign postal code		
1	Taxable income (Schedule A, line 37)			
2	Taxable investment income for electing small companies (Schedule B, line 21)			
3	Check if a member of a controlled group (attach Schedule O (Form 1120))			
4	Income tax			
5	Enter amount of tax that a reciprocal must include			
6	Base erosion minimum tax amount (attach Form 8991)			
7	Add lines 4 through 6			
8a	Foreign tax credit (attach Form 1118)			

Life: Investment Income

SUMMARY OF OPERATIONS

	1 Current Year	2 Prior Year
1. Premiums and annuity considerations for life and accident and health contracts (Exhibit 1, Part 1, Line 20.4, Col. 1, less Col. 11)	8,742,039,794	8,387,469,774
2. Considerations for supplementary contracts with life contingencies	3,179,503	2,332,897
3. Net investment income (Exhibit of Net Investment Income, Line 17)	2,303,856,089	311,926,933
4. Amortization of Interest Maintenance Reserve (IMR, Line 5)	52,766,042	74,032,528
5. Separate Accounts net gain from operations excluding unrealized gains or losses		

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds		
1.1 Bonds exempt from U.S. tax	(a) 37,430,310	36,596,221
1.2 Other bonds (unaffiliated)	(a) 1,657,143,979	1,685,929,902
1.3 Bonds of affiliates	(a)
2.1 Preferred stocks (unaffiliated)	(b)
2.11 Preferred stocks of affiliates	(b)
2.2 Common stocks (unaffiliated)	(b) 18,447,658	18,151,155
2.21 Common stocks of affiliates	(b) 48,886,521	62,845,000
3. Mortgage loans	(c) 191,896,165	193,132,146
4. Real estate	(d) 65,082,623	65,082,623
5. Contract loans	(d) 274,105,285	271,253,859
6. Cash, cash equivalents and short-term investments	(e) 24,596,346	25,155,136
7. Derivative instruments	(f) 2,630,880	2,630,880
8. Other invested assets	(f) 167,445,121	169,272,085
9. Aggregate write-ins for investment income	2,919,862	2,919,862
10. Total gross investment income	2,490,584,751	2,532,968,871
11. Investment expenses	(g) 131,877,645
12. Investment taxes, licenses and fees, excluding federal income taxes	(g) 11,368,538
13. Interest expense	(h) 68,378,833
14. Depreciation on real estate and other invested assets	(i) 17,828,634
15. Aggregate write-ins for deductions from investment income	(i) (340,866)
16. Total deductions (Lines 11 through 15)	219,453,916
17. Net investment income (Line 10 minus Line 16)	2,271,130,835	2,303,856,089

DETAILS OF WRITE-INS

Form 1120-L		U.S. Life Insurance Company Income Tax Return		OMB No. 1545-0123
Department of the Treasury Internal Revenue Service		For calendar year 2019 or tax year beginning, 2019, ending, 20		2019
		▶ Go to www.irs.gov/Form1120L for instructions and the latest information.		
A Check if:		Name		B Employer identification number
1 Consolidated return (attach Form 851) <input type="checkbox"/>		Number, street, and room or suite no. If a P.O. box, see instructions. City or town, state or province, country, and ZIP or foreign postal code		C Date incorporated
2 Life-nonlife consolidated return <input type="checkbox"/>				D Check applicable box if an election has been made under section(s): <input type="checkbox"/> 953(c)(3)(C) <input type="checkbox"/> 953(d)
3 Schedule M-3 (Form 1120-L) attached <input type="checkbox"/>				
E Check if: (1) <input type="checkbox"/> Final return (2) <input type="checkbox"/> Name change (3) <input type="checkbox"/> Address change (4) <input type="checkbox"/> Amended return				
Income (line 6 is reserved)	1	Gross premiums, etc., less return premiums, etc. Enter balance	1	
	2	Net decrease, if any, in reserves (Schedule F, line 12)	2	
	3a	Decrease in reserves under section 807(f)	3a	
	b	Income from Reserve Transition Relief (see instructions)	3b	
	4	Investment income (Schedule B, line 6) (see instructions)	4	
	5	Net capital gain (Schedule D (Form 1120), line 18)	5	
	7	Other income (attach statement)	7	

Taxable Interest and Dividend Income

Taxable interest income	
+	Statutory interest income
-	Eliminate statutory accrual of market discount
+	§1276(a)(1) interest
+	§1276(a)(3) interest
+	Original issue discount
-	Tax exempt interest received
+	Statutory premium amortization – tax exempt securities
+/-	Difference between statutory and tax premium amortization
+	Reclass of certain preferred stock dividends from dividend income
+	Interest income from pass-through entities
+/-	Reserve statutory change in unearned interest and non-admitted interest
=	Taxable interest income

Taxable dividend income	
+	Statutory dividend income
-	Dividends accrued at the end of the year
+	Dividends accrued at the beginning of the year
-	Reclass certain preferred stock dividends to interest income
+	Dividends from pass-through entities
=	Taxable dividend income

Taxable Investment Income

	<u>P&C</u>	<u>Life</u>
Net Investment Income:	A/S Page 4, Line 9	A/S Page 4, Line 3
Reclasses:		
Plus: Company's Occupancy of Own Buildings		
Plus: Investment Expenses	A/S Page 12, Line 11	A/S Page 8, Line 11
Reclass: Investment Taxes, Licenses and Fees	A/S Page 12, Line 12	A/S Page 8, Line 12
Less: Rental Real Estate Income	A/S Page 12, Line 4	A/S Page 8, Line 4
Reclass: Other Invested Assets	A/S Page 12, Line 8	A/S Page 8, Line 8
Reclass: Depreciation on Real Estate and Other Assets	A/S Page 12, Line 14	A/S Page 8, Line 14
Reclass: From Pass-through		
Statutory Tax Adjustments:		
Less: Tax Exempt Interest		
Less: Statutory accrual of market discount	A/S Page 12	A/S Page 8
Less: Amortization of Premium	A/S Page 12	A/S Page 8
Plus: Original Issue Discount		
Plus: §1276(a)(1) Interest Income		
Plus: §1276(a)(3) Interest Income		
Plus/Minus: Change in Non-Admitted/Unearned Investment Income		
Less: Book Income from Pass-Through		
Taxable Investment Income:		

Tax Exempt Interest (TEI)

- **Section 103:** Gross interest income received from state and local bond issuance is exempt for tax
 - State, territory, a possession of the United States, the District of Columbia or any political subdivision thereof
 - P&C: Found in Annual Statement, page 12, Exhibit of Net Investment Income, line 1.1
 - Life: Typically included in Annual Statement, page 8, Exhibit of Net Investment Income, line 1.2

Schedule D - Capital Gains: Annual Statement

- Exhibit of Capital Gains (Losses)
- Bonds, stocks, loans, real estate, etc.
- Reported (net of tax) on Page 4 (Summary of Operations)
- Schedule D
 - Part 4: LT Bonds/Stocks sold in current year
 - Part 5: LT Bonds/Stocks acquired/sold in current year

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. government bonds.....	62,989		62,989		
1.1 Bonds exempt from U.S. tax.....	2,213,417		2,213,417		
1.2 Other bonds (unaffiliated).....	3,203,842		3,203,842	2,172,264	
1.3 Bonds of affiliates.....			0		
2.1 Preferred stocks (unaffiliated).....			0		
2.11 Preferred stocks of affiliates.....			0		
2.2 Common stocks (unaffiliated).....			0	4,987	
2.21 Common stocks of affiliates.....			0	413,779	
3. Mortgage loans.....			0		
4. Real estate.....			0		
5. Contract loans.....			0		
6. Cash, cash equivalents and short-term investments.....	13,938		13,938		
7. Derivative instruments.....			0		
8. Other invested assets.....			0	3,386,816	
9. Aggregate write-ins for capital gains (losses).....	0	0	0	0	0
10. Total capital gains (losses).....	5,494,187	0	5,494,187	5,977,846	0

DETAILS OF WHITE INC

33. Net gain from operations after dividends to policyholders, returns to members and federal income taxes and other realized capital gains or (losses) (Line 31 minus Line 32).....	26,381,413
34. Net realized capital gains (losses) (excluding gains (losses) transferred to the IMR) less capital gains tax of \$1,338,346 (excluding taxes of \$990,901 transferred to the IMR).....	4,812,299
35. Net income (Line 33 plus Line 34).....	31,193,712

DRD and Proration

Proration: Overview

- **Proration:** Based on the theory that a portion of each type of investment income will ultimately fund obligations to policyholders with the remainder available to the company
- **Proration adjustment:** Designed to prevent an insurance company from receiving a double tax benefit by excluding TEI and the deductible portion of dividends from income while simultaneously receiving a deduction for an increase in reserves that is partially funded by receipt of tax advantaged investment income
- **P&C:** For P&C, the percentage is set at a variable formula equal to 5.25% divided by the top corporate income tax rate. For years beginning on or after Jan. 1, 2018, the corporate tax rate is 21%, which results in a 25% proration.
- **Life:** The “company’s share” and “policyholders’ share” are fixed percentages of 70% and 30%, respectively.

P&C: Proration: Overview

- **P&C:** Proration adjustment for TEI and DRD is treated as an adjustment to “losses incurred” (“reduction of a deduction”) as computed on Schedule F, Form 1120-L

Schedule F		Losses Incurred (section 832) (see instructions)	
1	Losses paid during the tax year (attach reconciliation to annual statement)		1
2	Balance outstanding at the end of the current tax year for:		
a	Unpaid losses on life insurance contracts	2a	
b	Discounted unpaid losses	2b	
c	Total. Add lines 2a and 2b		2c
3	Add lines 1 and 2c		3
4	Balance outstanding at the end of the preceding tax year for:		
a	Unpaid losses on life insurance contracts	4a	
b	Discounted unpaid losses	4b	
c	Total. Add lines 4a and 4b		4c
5	Subtract line 4c from line 3		5
6	Estimated salvage and reinsurance recoverable at the end of the preceding tax year		6
7	Estimated salvage and reinsurance recoverable at the end of the current tax year		7
8	Losses incurred (line 5 plus line 6 less line 7)		8
9	Tax-exempt interest subject to section 832(b)(5)(B)	9	
10	Dividends-received deduction subject to section 832(b)(5)(B) (Schedule C, line 27)	10	
11	The increase in policy cash value of section 264(f) policies, as defined in section 805(a)(4)(F)	11	
12	Total. Add lines 9, 10, and 11		12
13	Reduction of deduction under section 832(b)(5)(B). Multiply line 12 by applicable percentage. See instructions		13
14	Losses incurred deductible under section 832(c)(4). Subtract line 13 from line 8. Enter here and on Schedule A, line 26		14

Form 1120-PC (2019)

Life: Proration: Overview

- **Life:** Policyholder’s share of TEI is treated as a reduction of the deduction for “Increase in Reserves” or as an increase of the income for “Decrease in Reserves” as computed on Schedule F, Form 1120-L. DRD proration is reflected in Schedule A.

Form 1120-L (2019) Page **3**

Schedule F Increase (Decrease) in Reserves (section 807) (see instructions)		(a) Beginning of tax year	(b) End of tax year
1	Life insurance reserves	1	
2	Unearned premiums and unpaid losses	2	
3	Supplementary contracts	3	
4	Dividend accumulations and other amounts	4	
5	Advance premiums	5	
6	Special contingency reserves	6	
7	Add lines 1 through 6	7	
8	Increase (decrease) in reserves under section 807. Subtract line 7, column (a), from line 7, column (b)	8	
9a	Tax-exempt interest	9a	
9b	Increase in policy cash value of section 264(f) policies as defined in section 805(a)(4)(F)	9b	
9c	Add lines 9a and 9b	9c	
10	Policyholders' share percentage	10	30%
11	Policyholders' share of tax-exempt interest and the increase in policy cash value of section 264(f) policies as defined in section 805(a)(4)(F). Multiply line 9c by line 10	11	
12	Net increase (decrease) in reserves. Subtract line 11 from line 8. If an increase, enter here and on page 1, line 10. If a decrease, enter here and on page 1, line 2	12	

Dividends

- **Dividends:** Distributions of a company's earnings to its shareholders earned by insurance companies from equity investments held in its investment portfolio
- For STAT-Tax provision purposes, dividends received during the year may be found in the Annual Statement Exhibit of Net Investment Income (only taxed on collected)
- Rev. Rul. 78-117 provides that accrued dividends do not have to be recognized as income because they are not actually or constructively received
- Detailed investment portfolio on which an insurance company receives dividends may be found in the various sections of the Annual Statement Schedule D
- Mutual funds make distributions, for which you need to obtain fund information to determine DRD eligible percentage of distribution

SCHEDULE D - PART 2 - SECTION 2

Showing all COMMON STOCKS Owned December 31 of Current Year

1	2	Codes 3 4	5	6	7 Fair Value		9	10 Dividends			14 Change in Book-Adjusted Carrying Value				17	18	
					F or e Code	Number of Shares		Book-Adjusted Carrying Value	Rate per Share Used to Obtain Fair Value	Fair Value	Actual Cost	Declared but Unpaid	Amount Received During Year	Non-qualified Dividend but Unpaid			Unrealized Gain (Loss)
Common Stocks - Industrial and Miscellaneous (Unaffiliated) Publicly Traded																	
038743	10 6			ANTERO RESOURCES ORD	2,340,000	6,669	2,850	6,669	90,587				(15,304)		(15,304)	06/06/2017	
432629	10 2			IMPERIAL BRANDS ADR	841,000	20,823	24,760	20,823	38,487	800	2,094		(4,637)		(4,637)	06/06/2017	
881128	10 3			VSPX ENERGY ORD	10,430,000	143,308	13,740	143,308	1,137				24,928		24,928	06/06/2017	
909999	Total - Common Stocks - Industrial and Miscellaneous (Unaffiliated) Publicly Traded				170,800	XXX	170,800	90,171	800	2,094	0	4,987	0	4,987	0	XXX	XXX

EXHIBIT OF NET INVESTMENT INCOME

	1	2
	Collected During Year	Earned During Year
1. U.S. government bonds	(a) 6,030,249	5,959,118
1.1 Bonds exempt from U.S. tax	(a) 4,235,273	3,126,962
1.2 Other bonds (unaffiliated)	(a) 67,736,662	70,333,803
1.3 Bonds of affiliates	(a) (b)	(b)
2.1 Preferred stocks (unaffiliated)	(b)	(b)
2.11 Preferred stocks of affiliates	(b)	(b)
2.2 Common stocks (unaffiliated)	2,064	2,160
2.21 Common stocks of affiliates	(c)	(c)
3. Mortgage loans	(c)	(c)
4. Real estate	(d) 1,938,665	1,938,665
5. Contract loans	(e)	(e)
6. Cash, cash equivalents and short-term investments	(e) 1,137,698	1,137,698
7. Derivative instruments	(f)	(f)
8. Other invested assets	1,011,752	1,011,752
9. Aggregate write-ins for investment income	865,797	865,797
10. Total gross investment income	82,958,180	84,375,956
11. Investment expenses	(g)	(g) 2,774,148
12. Investment taxes, licenses and fees, excluding federal income taxes	(g)	(g)
13. Interest expense	(h)	(h)
14. Depreciation on real estate and other invested assets	(i)	(i) 468,621
15. Aggregate write-ins for deductions from investment income		0
16. Total deductions (Lines 11 through 15)		3,242,669
17. Net investment income (Line 10 minus Line 16)		81,132,988

DRD and Proration: Current Tax

- **Step 1:** Obtain gross dividend amounts for the Annual Statement Exhibit of Net Investment Income and record on Schedule C, Lines 1-9
- **Step 2:**
 - **P&C:** Calculate DRD by multiplying gross amounts by DRD exemption amounts on Schedule C, Lines 18 – 24
 - **Life:** Calculate DRD by multiplying gross amounts by DRD exemption amounts on Schedule A, Lines 1-9
- **Step 3:**
 - **Life:** Prorate the dividends received deduction by the company share percentage (70%).
- **Step 4:**
 - **P&C:** Report total dividends received deduction amount from Schedule A, Line 2
 - **Life:** Report total dividends received deduction amount from Schedule A, Line 22 column (c) on Page 1, Line 21 (a)

P&C: DRD and Proration: Current Tax

Annual Statement for the year 2011 of the Variable Annuity Life Insurance Company
EXHIBIT OF NET INVESTMENT INCOME

	1	2
	Collected During Year	Earned During Year
1. U.S. government bonds	(a) 8,113,617	8,513,788
1.1 Bonds exempt from U.S. tax	(a) 0	0
1.2 Other bonds (unaffiliated)	(a) 1,711,638,123	1,750,111,176
1.3 Bonds of affiliates	(a) 9,319,442	8,792,119
2.1 Preferred stocks (unaffiliated)	(b) 798,106	798,106
2.11 Preferred stocks of affiliates	(b) 0	0
2.2 Common stocks (unaffiliated)	175,068	174,455
2.21 Common stocks of affiliates	29,300,000	29,300,000
3. Mortgage loans	(c) 242,141,872	244,394,495
4. Real estate	(d) 7,432,431	7,432,431
5. Contract loans	43,231,016	48,925,605
6. Cash, cash equivalents and short-term investments	(e) 2,981,472	2,980,489
7. Derivative instruments	(f) (2,170,533)	(2,170,533)
8. Other invested assets	120,052,370	120,025,336
9. Aggregate write-ins for investment income	577,483	577,483
10. Total gross investment income	2,173,590,467	2,219,854,950
11. Investment expenses	(g) 44,600,342	44,600,342
12. Investment taxes, licenses and fees, excluding federal income taxes	(h) 1,750,616	1,750,616
13. Interest expense	(i) 0	0
14. Depreciation on real estate and other invested assets	(j) 979,797	979,797
15. Aggregate write-ins for deductions from investment income	0	0
16. Total deductions (Lines 11 through 15)	47,330,755	47,330,755
17. Net investment income (Line 10 minus Line 16)	2,126,259,712	2,172,524,195

1) Obtain Gross Dividends from A/S

Schedule C

Form 1120-PC (2019)

Schedule C Dividends, Inclusions, Dividends-Received Deduction (see instructions)

Page 4

2) Calculate DRD

Income		Dividends and Inclusions	
		(a) Subject to section 832(b)(5)(B)	(b) Dividends and inclusions
1	Dividends from less-than-20%-owned domestic corporations (other than debt-financed stock)		
2	Dividends from 20%-or-more-owned domestic corporations (other than debt-financed stock)		
3	Dividends on certain debt-financed stock of domestic and foreign corporations		
4	Dividends on certain preferred stock of less-than-20%-owned public utilities		
5	Dividends on certain preferred stock of 20%-or-more-owned public utilities		
6	Dividends from less-than-20%-owned foreign corporations and certain foreign sales corporations (FSCs)		
7	Dividends from 20%-or-more-owned foreign corporations and certain FSCs		
8	Dividends from wholly owned foreign subsidiaries and certain FSCs		
9	Dividends from certain affiliated companies		
10	Foreign-source portion of dividends received from a specified 10%-owned foreign corporation (excluding hybrid dividends) (see instructions)		
11	Dividends from foreign corporations not included on line 3, 6, 7, 8, or 10 (including any hybrid dividend)		
12a	Subpart F inclusions derived from the sale by a controlled foreign corporation (CFC) of the stock of a lower-tier foreign corporation treated as a dividend (attach Form(s) 5471) (see instructions)		
12b	Subpart F inclusions derived from hybrid dividends of tiered corporations (attach Form(s) 5471) (see instructions)		
12c	Other inclusions from CFCs under subpart F not included on line 12a, 12b, 13, or 15 (attach Form(s) 5471)		
13	Global intangible low-taxed income (GILTI) (attach Forms 5471 and 8992)		
14	Gross-up for foreign taxes deemed paid		
15	Section 965(a) inclusion		
16	Other dividends (attach statement)		
17	Total dividends and inclusions. Add lines 1 through 16. Enter here and on Schedule A, line 2, or Schedule B, line 2, whichever applies		
Deductions		Dividends Received and Other Special Deductions	
		(a) Subject to section 832(b)(5)(B)	(b) Total dividends received and special deductions
18	Multiply line 1 by 50% (0.50)		
19	Multiply line 2 by 65% (0.65)		
20	Deduction for line 3 (see instructions)		
21	Multiply line 4 by 23.3% (0.233)		
22	Multiply line 5 by 26.7% (0.267)		
23	Multiply line 6 by 50% (0.50)		
24	Multiply line 7 by 65% (0.65)		
25	Enter the amount from line 8		
26	Total. Add lines 18 through 25. (See instructions for limitation.)		
27	Total. Add line 26, column (a), and line 9, column (a). Enter here and on Schedule F, line 10		
28	Section 250 deduction (attach Form 8993)		
29	Section 965(c) participation exemption (see instructions)		
30	Total deductions. Add line 26, column (b), and lines 9, 10, 12a, 28, and 29, column (b). Enter here and on Schedule A, line 36a, or Schedule B, line 20, whichever applies		

Form 1120-PC (2019)

2) Calculate DRD

Step 1

Step 2

Life: DRD and Proration: Current Tax

Annual Statement for the year 2011 of the Variable Annuity Life Insurance Company

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. government bonds	(a) 8,113,617	8,513,788
1.1 Bonds exempt from U.S. tax	(a) .0	.0
1.2 Other bonds (unaffiliated)	(a) 1,711,638,123	1,750,111,176
1.3 Bonds of affiliates	(a) 9,319,442	8,792,119
2.1 Preferred stocks (unaffiliated)	(b) 798,106	798,106
2.1.1 Preferred stocks of affiliates	(b) .0	.0
2.2 Common stocks (unaffiliated)	(b) 175,068	174,455
2.2.1 Common stocks of affiliates	(b) 29,300,000	29,300,000
3. Mortgage loans	(c) 243,144,973	244,394,495
4. Real estate	(d) 7,432,431	7,432,431
5. Contract loans	(d) 43,231,016	48,925,605
6. Cash, cash equivalents and short-term investments	(e) 2,981,472	2,980,489
7. Derivative instruments	(f) (2,170,533)	(2,170,533)
8. Other invested assets	(f) 120,052,370	120,025,336
9. Aggregate write-ins for investment income	(g) 577,483	577,483
10. Total gross investment income	2,173,590,467	2,219,654,950
11. Investment expenses	(g) 44,600,342	
12. Investment taxes, licenses and fees, excluding federal income taxes	(g) 1,750,616	
13. Interest expense	(h) .0	
14. Depreciation on real estate and other invested assets	(i) 979,797	
15. Aggregate write-ins for deductions from investment income		.0
16. Total deductions (Lines 11 through 15)		47,330,755
17. Net investment income (Line 10 minus Line 16)		2,172,524,195

1) Obtain Gross Dividends from A/S

Schedule A

Form 1120-L (2019)

Schedule A Dividends, Inclusions, Dividends-Received Deduction, and Other Special Dividends

Page 2

	(a) Dividends inclusions	(b) Dividends received deduction (DRD)
Dividends subject to proration		
1 Dividends from less-than-20%-owned domestic corporations (other than debt-financed stock)	50	
2 Dividends from 20%-or-more-owned domestic corporations (other than debt-financed stock)	65	
3 Dividends from less-than-20%-owned foreign corporations and certain debt-financed stock of domestic and foreign corporations	see instructions	
4 Dividends from certain preferred stock of less-than-20%-owned public utilities	25.3	
5 Dividends from certain preferred stock of 20%-or-more-owned public utilities	26.7	
6 Dividends from less-than-20%-owned foreign corporations and certain foreign corporations (FSCs)	50	
7 Dividends from 20%-or-more-owned foreign corporations and certain FSCs	65	
8 Dividends from wholly-owned foreign subsidiaries and certain FSCs	100	
9 Dividends from certain affiliated companies	100	
10 Dividends received deduction. Add lines 1 through 9		
11 Dividends received deduction percentage		0.7
12 Prorated amount. Line 10 times line 11		
Dividends not subject to proration		
13 Affiliated company dividends	see instructions	
14 Foreign-source portion of dividends received from a specified 10%-owned foreign corporation (excluding hybrid dividends) (see instructions)	100	
15 Dividends from foreign corporations not included on line 3, 6, 7, 8, or 14 (including hybrid dividends)		
16 Section 965(a) inclusion		
17a Subpart F inclusions derived from the sale by a controlled foreign corporation (CFC) of the stock of a lower-tier foreign corporation treated as a dividend (attach Form(s) 5471) (see instructions)		
17b Subpart F inclusions derived from hybrid dividends of tiered corporations (attach Form(s) 5471) (see instructions)		
17c Other inclusions from CFCs under subpart F not included on line 16, 17a, 17b, or 18 (attach Form(s) 5471) (see instructions)		
18 Global intangible low-taxed income (GILTI) (attach Form(s) 5471 and 8992)		
19 Other corporate dividends		
20 Total dividends and inclusions. Add lines 1 through 19, column (a). Enter here and on Schedule B, line 2		
21 Section 250 deduction (attach Form 8993)		
22 Total deductions. Add lines 12, 13, 14, 16, 17a, and 21, column (c). Enter here and on page 1, line 21a		

Schedule B Investment Income (see instructions)

2) Calculate DRD

Step 1

Step 2

Step 3

3) Prorate DRD by 70%

P&C: Reserves

Insurance Losses

- P&C insurers establish unpaid loss reserves for specific events that may occur and require the insurer to pay a claim to an insured
 - Detail of unpaid loss reserves, by line of business and accident year, detailed in Schedule P of the Annual Statement
- Insurance loss reserves liabilities are primarily comprised of the following:
 - **Unpaid loss reserves:** Actuarially determined estimates of direct future costs of incurred losses for insurance claims
 - **Unpaid loss adjustment expenses:** Estimate of future costs for determining and settling incurred losses
 - e.g., legal costs, claims adjuster expenses
 - **Incurred but not reported (IBNR):** Loss has occurred but has not been reported to the company and the amount of the loss remains uncertain

Insurance Losses: Schedule P

- A/S Schedule P:
 - Total losses and loss adjustment expense summary by accident year included in Sch. P, Part 1, Column 24
 - Loss and loss adjustment expense detail by accident year and line of business on Sch. P, Parts 1A-1T
 - Loss reserves established on the annual statement at the full dollar value of settled losses. Annual statement losses are not discounted, even though time may pass before the losses are actually paid
 - Certain states provide an exception for workers compensation and medical malpractice, discounted using very conservative interest rates

Schedule P

(\$000 omitted)

Years in Which Premiums Were Earned and Losses Incurred	Premiums Earned			Loss and Loss Expense Payments									11 Total Net Paid (Columns 4 - 9 + 8 - 7 - 8 - 6)	12 Number of Claims Reported - Direct and Assumed	
	Direct and Assumed	Ceded	Net (Columns 1 - 3)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation Received					
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded						
1. Prior	X X X	X X X	X X X										X X X		
2. 2003	39,654	33,775	5,878	32,353	27,630								4,723	69,009	
3. 2004	72,449	61,190	11,259	52,947	45,153								7,794	119,890	
4. 2005	92,829	79,080	13,749	79,011	67,171								11,840	151,135	
5. 2006	111,155	94,388	16,767	95,105	83,523								11,582	101,536	
6. 2007	148,723	123,040	25,683	117,821	99,020								18,801	110,100	
7. 2008	179,693	131,416	48,277	123,040	92,065								30,975	111,441	
8. 2009	194,638	151,737	42,901	121,319	73,424								47,896	106,047	
9. 2010	187,963	97,336	90,627	122,604	58,984								63,622	104,523	
10. 2011	196,528	87,955	108,573	129,363	49,954								79,875	111,682	
11. 2012	255,758	106,376	149,382	123,637	43,628								79,848	102,855	
12. Totals	X X X	X X X	X X X	999,200	640,060								830	359,956	X X X

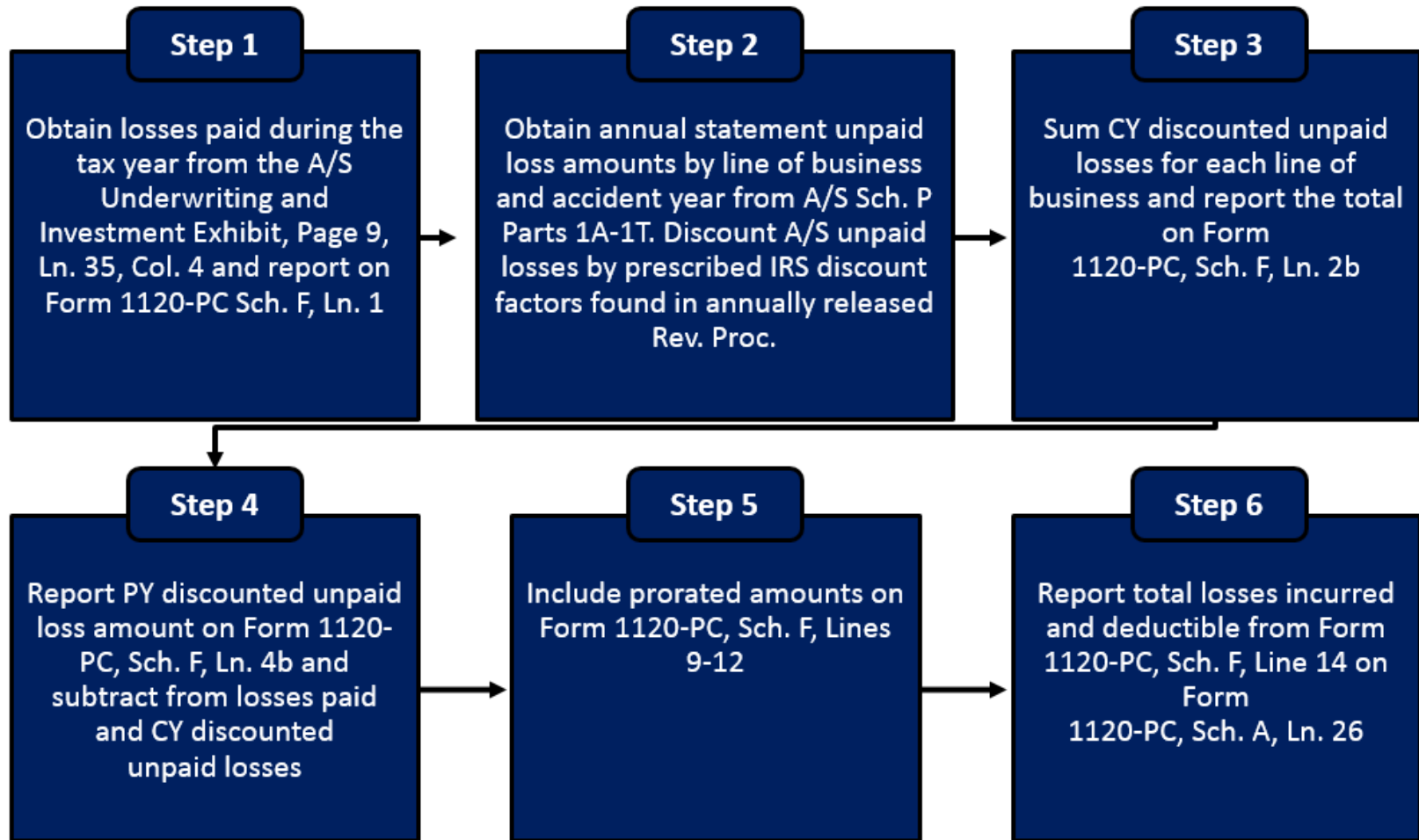
Years in Which Losses Incurred	Losses Unpaid			Defense and Cost Containment Unpaid						23 Salvage and Subrogation Adjusted	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding Direct and Assumed			
	Direct and Assumed	Ceded	Net (Columns 14 - 15)	Basis - IBR		Basis - IBR		Adjusting and Other Expenses Unpaid							
				14 Direct and Assumed	15 Ceded	16 Direct and Assumed	17 Ceded	18 Direct and Assumed	19 Ceded				20 Direct and Assumed	22 Ceded	
1. Prior															
2. 2003															
3. 2004															
4. 2005															
5. 2006															
6. 2007															
7. 2008		1	5											6	
8. 2009		20	116											137	
9. 2010		72	424											499	
10. 2011		33	194											229	
11. 2012		3,856	1,240	20,660										17,525	
12. Totals		3,882	1,240	21,399	5,445									18,895	1,420

Years in Which Losses and Loss Expenses Incurred	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nonreducer Discount		34 Inter-Company Posing Participation Percentage	Net Expense Sheet			
	Direct and Assumed	Ceded	Net	26 Direct and Assumed	27 Ceded	28 Net	29 Loss	30 Loss Expense		31 Loss	32 Loss Expense	33 Losses	35 Loss Expenses
1. Prior	X X X	X X X	X X X	X X X	X X X	X X X			X X X				
2. 2003	32,353	27,630	4,723	81.6	81.8	80.4							
3. 2004	52,947	45,153	7,794	73.1	73.8	69.2							
4. 2005	79,011	67,171	11,840	85.1	84.9	86.1							
5. 2006	95,105	83,523	11,582	88.3	88.5	87.0							
6. 2007	117,821	99,020	18,801	79.2	80.5	73.2							
7. 2008	123,040	92,065	30,975	68.5	70.1	64.2							
8. 2009	121,457	73,424	48,033	62.4	60.3	65.9							
9. 2010	123,104	58,984	64,120	65.5	60.6	70.8							
10. 2011	129,567	49,954	80,103	66.0	56.4	73.8							
11. 2012	147,686	50,212	97,474	57.7		65.3							
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X				

Loss Reserve Discounting

- Losses are incurred in the accident year, but may not be paid until years later
- P&C insurers discount losses based on IRS prescribed payment
- **Section 846(a)(1)**: Insurance losses are discounted separately by line of business attributable to each accident year
- **Section 846(a)(2)**: Method of Discounting - Amount of discounted unpaid losses as of the end of a taxable year shall be the PV of insurance losses, computed using the following:
 - Amount you are discounting
 - Interest rate
 - Period of time to discount

Loss Reserve Discounting (cont.)



Loss Reserve Discounting (cont.)

Step 1

A/S Underwriting and Investment Exhibit (Pg. 9, Ln. 35)

Line of Business	Losses Paid (Losses)			4 Net Payments (Columns 1 + 2 - 3)	5 Net Losses Unpaid Current Year (Part 2A, Column 6)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Column 4 + 5 - 6)	8 Percentage of Losses Incurred (Column 7, Part 2, Column 4, Part 1)
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered					
35 TOTALS	150,069,442	(26,290)	62,833,954	95,109,598	19,938,495	35,717,545	78,907,508	50.34

Line 35

95,109,598

Form 1120-PC, Schedule F

Schedule F - Losses Incurred - Section 832 (see instructions)		1
1	Losses paid during the tax year (attach schedule)	
2	Balance outstanding at the end of the current tax year for:	
a	Unpaid losses on life insurance contracts	2a
b	Discounted unpaid losses	2b
c	Total. Add lines 2a and 2b	2c
3	Add lines 1 and 2c	3
4	Balance outstanding at the end of the preceding tax year for:	
a	Unpaid losses on life insurance contracts	4a
b	Discounted unpaid losses	4b
c	Total. Add lines 4a and 4b	4c
5	Subtract line 4c from line 3	5
6	Estimated salvage and reinsurance recoverable at the end of the preceding tax year	6
7	Estimated salvage and reinsurance recoverable at the end of the current tax year	7
8	Losses incurred (line 5 plus line 6 less line 7)	8
9	Tax-exempt interest subject to section 832(b)(6)	9
10	Dividends-received deduction subject to section 832(b)(5)(B) (Schedule C, line 24)	10
11	The increase in policy cash value of section 264(f) policies as defined in section 805(a)(4)(F)	11
12	Total. Add lines 9, 10, and 11	12
13	Reduction of deduction under section 832(b)(5)(B). Multiply line 12 by .15	13
14	Losses incurred deductible under section 832(c)(4). Subtract line 13 from line 8. Enter here and on Schedule A, line 26	14

Step 1

Step 1: Obtain losses paid during the tax year from the A/S Underwriting and Investment Exhibit, Page 9, Ln. 35, Col. 4 and report on Form 1120-PC Sch. F, Ln. 1

Loss Reserve Discounting (cont.)

Step 3

Step 4

Step 5

Loss Reserve Discounting: Other Liability - Occurrence

LOB: Part 1B		Private Passenger Auto Liability/Medical		
Accident Year	Statutory Reserves	Discount Factor	Discounted Reserves	
Prior	0	98.5513%	0.00	
2010	0	97.7282%	0.00	
2011	0	95.6473%	0.00	
2012	0	95.0550%	0.00	
2013	0	94.5205%	0.00	
2014	0	94.2824%	0.00	
2015	0	94.2325%	0.00	
2016	0	94.8920%	0.00	
2017	0	95.2520%	0.00	
2018	0	95.2920%	0.00	
2019	0	95.4657%	0.00	
	0		0.00	
Total	0.00		0.00	

Form 1120-PC, Sch. F, Ln. 2b

Schedule F - Losses Incurred—Section 832 (see instructions)			
1	Losses paid during the tax year (attach schedule)	1	Step 1
2	Balance outstanding at the end of the current tax year for:		
a	Unpaid losses on life insurance contracts	2a	Step 3
b	Discounted unpaid losses	2b	
c	Total. Add lines 2a and 2b	2c	Step 3
3	Add lines 1 and 2c	3	
4	Balance outstanding at the end of the preceding tax year for:		
a	Unpaid losses on life insurance contracts	4a	Step 4
b	Discounted unpaid losses	4b	
c	Total. Add lines 4a and 4b	4c	Step 4
5	Subtract line 4c from line 3	5	Step 4
6	Estimated salvage and reinsurance recoverable at the end of the preceding tax year	6	
7	Estimated salvage and reinsurance recoverable at the end of the current tax year	7	
8	Losses incurred (line 5 plus line 6 less line 7)	8	
9	Tax-exempt interest subject to section 832(b)(5)(B)	9	
10	Dividends-received deduction subject to section 832(b)(5)(B) (Schedule C, line 24)	10	Step 5
11	The increase in policy cash value of section 264(f) policies as defined in section 805(c)(4)(F)	11	
12	Total. Add lines 9, 10, and 11	12	
13	Reduction of deduction under section 832(b)(2)(B). Multiply line 12 by 15	13	
14	Losses incurred deductible under section 832(c)(4). Subtract line 13 from line 8. Enter here and on Schedule A, line 26	14	

3) Sum all discounted reserves for each business line and report on Sch. F, Ln. 2b

4) Report PY discounted unpaid losses on Sch. F, Ln. 4b and subtract from Ln. 1 and Ln. 3

5) Report prorated amounts on Sch. F, Lines 9-12

Loss Reserve Discounting (cont.)

Step 6

Form 1120-PC, Sch. F, Ln. 2b

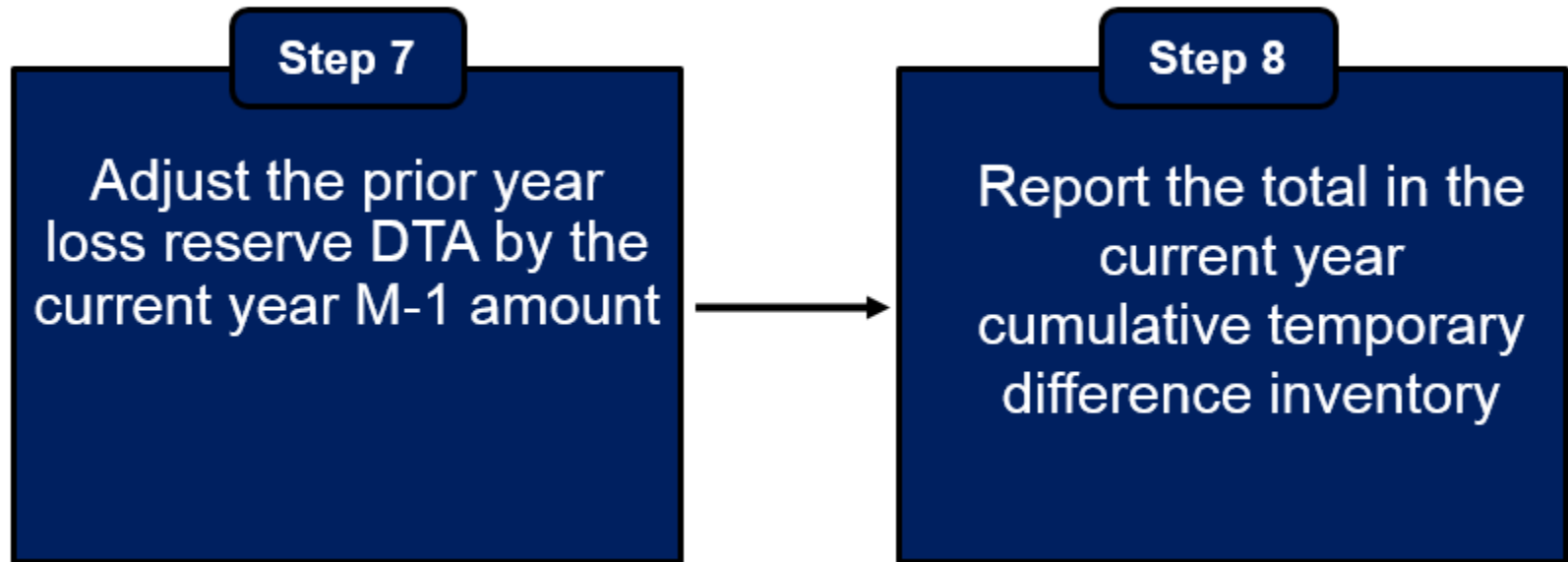
Schedule F Losses Incurred—Section 832 (see instructions)			
1	Losses paid during the tax year (attach schedule)		1
2	Balance outstanding at the end of the current tax year for:		2
a	Unpaid losses on life insurance contracts	2a	
b	Discounted unpaid losses	2b	
c	Total. Add lines 2a and 2b	2c	
3	Add lines 1 and 2c	3	
4	Balance outstanding at the end of the preceding tax year for:		4
a	Unpaid losses on life insurance contracts	4a	
b	Discounted unpaid losses	4b	
c	Total. Add lines 4a and 4b	4c	
5	Subtract line 4c from line 3	5	
6	Estimated salvage and reinsurance recoverable at the end of the preceding tax year	6	
7	Estimated salvage and reinsurance recoverable at the end of the current tax year	7	
8	Losses incurred (line 5 plus line 6 less line 7)	8	
9	Tax-exempt interest subject to section 832(b)(5)(B)	9	
10	Dividends-received deduction subject to section 832(b)(5)(B) (Schedule C, line 24)	10	
11	The increase in policy cash value of section 264(f) policies as defined in section 805(a)(4)(F)	11	
12	Total. Add lines 9, 10, and 11	12	
13	Reduction of deduction under section 832(b)(5)(B). Multiply line 12 by .15	13	
14	Losses incurred deductible under section 832(c)(4). Subtract line 13 from line 8. Enter here and on Schedule A, line 26	14	

6) Report losses incurred and deductible on Sch. A, Ln. 26

Form 1120-PC, Sch. A, Ln. 26

Form 1120-PC (2011) Schedule A Taxable Income—Section 832 (see instructions)			
1	Premiums earned (Schedule E, line 7)		1
2	Dividends (Schedule C, line 14)		2
3a	Gross interest	(a) Interest received	
b	Interest exempt under section 103	(b) Amortization of premium	
c	Subtract line 3b from line 3a		
d	Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)		3d
4	Taxable interest. Subtract line 3c, column (b) from line 3c, column (a)		4
5	Gross rents		5
6	Gross royalties		6
7	Capital gain net income (attach Schedule D (Form 1120))		7
8	Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)		8
9	Certain mutual fire or flood insurance company premiums (section 832(b)(1)(D))		9
10	Income on account of special income and deduction accounts		10
11	Mutual interinsurers or reciprocal underwriters—decrease in subscriber accounts		11
12	Income from a special loss discount account (attach Form 8816)		12
13	Other income (attach schedule)		13
14	Gross income. Add lines 1 through 13		14
15	Compensation of officers (attach schedule) (see instructions)		15
16	Salaries and wages (less employment credits)		16
17	Agency balances and bills receivable that became worthless during the tax year		17
18	Rents		18
19	Taxes and licenses		19
20a	Interest	b Less tax-exempt interest exp.	c Bal.
21	Charitable contributions		21
22	Depreciation (attach Form 4562)		22
23	Depletion		23
24	Pension, profit-sharing, etc., plans		24
25	Employee benefit programs		25
26	Losses incurred (Schedule F, line 14)		26
27	Additional deduction (attach Form 8816)		27
28	Other capital losses (Schedule G, line 12, column (g))		28
29	Dividends to policyholders		29
30	Mutual interinsurers or reciprocal underwriters—increase in subscriber accounts		30
31	Other deductions (see instructions) (attach schedule)		31
32	Total deductions. Add lines 15 through 31		32
33	Subtotal. Subtract line 32 from line 14		33
34a	Special deduction for section 833 organizations (Schedule H, line 6)	34a	
b	Deduction on account of special income and deduction accounts	34b	
c	Total. Add lines 34a and 34b	34c	
35	Subtotal. Subtract line 34c from line 33	35	
36a	Dividends-received deduction (Schedule C, line 25)	36a	
b	Net operating loss deduction	36b	
c	Total. Add lines 36a and 36b	36c	
37	Taxable income (subtract line 36c from line 35). Enter here and on page 1, line 1		37

Loss Reserve Discounting (cont.)



Loss Reserve Discounting (cont.)

Step 7

Step 8

7) Adjust PY DTA by CY M-1 amount (previous slide)

8) Report difference between STAT and Tax reserves as ending DTA

ANNUAL STATEMENT FOR THE YEAR 2012

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 35, Column 8)	19,509,455	35,717,545
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)		
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	153,965	130,100

*Note the remaining \$1.2M of reserves relate to inland marine coverage

Losses 19,509,455
LAE 153,965
Total Unpaid Losses 19,663,420

Other Liability—Losses **18,495,000**

*The Company uses the IRS prescribed discount factors prescribed in Rev. Proc.

SCHEDULE P - PART 1 OTHER LIABILITIES

	Losses Unpaid				Defense and Cost			
	Case Basis		Bulk + IBNR		Case Basis			
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded		
1. Prior								
2. 2003								
3. 2004								
4. 2005								
5. 2006								
6. 2007								
7. 2008	1		5				6	
8. 2009	20		116		1		137	8
9. 2010	72		424		2		498	28
10. 2011	33		194		1		228	13
11. 2012	3,556	1,240	20,660	5,446			17,626	1,375
12. Totals	3,682	1,240	21,399	5,446			18,495	1,424

Accident Year	Statutory Reserves	Discount Factor	Discounted Reserves
Prior	0	96.7300%	0
2010	0	94.4974%	0
2011	0	92.6228%	0
2012	0	91.9830%	0
2013	0	90.7788%	0
2014	0	90.7542%	0
2015	6	90.6836%	5
2016	137	90.9196%	125
2017	498	90.7535%	452
2018	228	90.2053%	206
2019	17,626	88.8810%	15,666
Total			16,454

Life: Reserves

Tax Reserves: Overview

Reserves are recomputed for tax purposes

- Life and annuity reserves shown on annual statement exhibits 5 through 7, including non-cancellable and guaranteed renewable accident and health reserves, are recomputed for tax purposes under Code §807.

Changes reserves result in income or deductions

- A life insurance company includes as income or expense the decrease or increase in life and annuity reserves.
- Section 803(a)(2): decreases in reserves result in taxable income.
- Section 805(a)(2): increases in reserves result in tax deductions.

Computation under Tax Cuts and Jobs Act

The method of computing reserves under Section 807(d) is significantly simplified under the TCJA and provides that the life insurance reserve for any contract are the greater of the net surrender value of the contract or 92.81% of the tax reserve method applicable to the contract.

Life Reserves: STAT

ANNUAL STATEMENT FOR THE YEAR 2019 OF THE GUARDIAN LIFE INSURANCE COMPANY OF AMERICA

EXHIBIT 5 - AGGREGATE RESERVE FOR LIFE CONTRACTS

1	2	3	4	5 Credit (Group and Individual)	6
Valuation Standard	Total	Industrial	Ordinary		Group
0100001. 1941 CSO 2.5% IPC 1948 - 1964	92,529,959		92,529,959		
0100002. 1958 CSO 2.5% IPC 1964 - 1972	149,134,553		149,134,553		
0100003. 1958 CSO 3.5% /20/ 2.5% IPC 1968 - 1987	436,720,115		436,720,115		
0100004. 1958 CSO 4% CNF 1975 - 1986	833,670,551		833,670,551		
0100005. 1958 CSO 4% NLP CNF 1980 - 1986	525,139,318		525,139,318		
0100006. 1960 CSG 4.5% All Wholesale & Group 1957 - NB	350,014,306		2,156		350,012,150
0100007. 1980 CSO 3% /Age 90/ 4% CRVM CNF 2004 - 2007	17,956,485		17,956,485		
0100008. 1980 CSO 3% /Age 90/ 4% NLP CNF 2004 - 2007	1,530,002		1,530,002		
0100009. 1980 CSO 4% NL CNF ANB (ISL) 1998-1999	322,621,997		322,621,997		
0100010. 1980 CSO 4% CRVM CNF 1986 - 2007	8,318,340,209		8,318,340,209		
0100011. 1980 CSO 4% NJ CNF 1986 - 2007	6,098,335,542		6,098,335,542		
0100012. 1980 CSO 4% NLP CNF 1986 - 2007	6,902,271,749		6,902,271,749		
0100013. 1980 CSO 5% /20/ 4% NLP CNF 1992 - 1993	419,752,469		419,752,469		

ANNUAL STATEMENT FOR THE YEAR 2019 OF THE GUARDIAN LIFE INSURANCE COMPANY OF AMERICA

EXHIBIT 6 - AGGREGATE RESERVES FOR ACCIDENT AND HEALTH CONTRACTS (a)

	1	2 Comprehensive		4	5	6	7	8	9	10	11	12	13
	Total	Individual	Group	Medicare Supplement	Vision Only	Dental Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Credit A&H	Disability Income	Long-Term Care	Other Health
ACTIVE LIFE RESERVE													
1. Unearned premium reserves	66,916,710	63,645			1,036,911	4,562,417					61,244,214		9,523
2. Additional contract reserves (b)	610,071,763										574,645,662		35,426,080
3. Additional actuarial reserves-Asset/Liability analysis													
4. Reserve for future contingent benefits													
5. Reserve for other contracts													

Life Reserves: Tax

- Life Insurance Companies maintain statutory reserves for future policy claims and benefits determined by actuarial forecasts
 - Unlike most accrued liabilities, insurance companies are entitled to deduct reserves for future policy claims before they are paid pursuant to Section 807, subject to discounting for tax purposes
 - In general, the method of computing reserves under Section 807(d) is significantly simplified under the TCJA.
 - In general, life insurance reserve would be the greater of the net surrender value of the contract or 92.81% of the reserve computed using the tax reserve method (CRVM/CARVM) applicable to the contract.
 - For variable insurance contracts, the tax reserve would be
 - 1. The greater of: (a) the net surrender value, or (b) the portion of the reserve that is separately accounted for under Section 817,
plus
 - 2. 92.81% of the excess (if any) of the reserve computed using the tax reserve method (CRVM/CARVM) over the amount in 1.
 - Differs from property and casualty insurers who discount based on prescribed IRS discount factors

Life Reserves: Tax

- Reserves: 1120-L, Schedule F, line 1
- Life Reserves (Sch. F, Line 1): Change in reserves for future life insurance claims deductible for tax purposes
- Unearned Premiums and Unpaid Losses (Sch. F, Line 2): Change in premiums unearned on contracts other than life insurance contracts
- Advance Premiums (Sch. F, Line 5): Change in premiums received to secure coverage for policies not yet in force
- Special Contingency Reserves (Sch. F, Line 6): Change in additional contingency reserves maintained for certain group term life or group accident and health insurance

Form 1120-L (2019) Page **3**

Schedule F		Increase (Decrease) in Reserves (section 807) (see instructions)	
		(a) Beginning of tax year	(b) End of tax year
1	Life insurance reserves	1	
2	Unearned premiums and unpaid losses	2	
3	Supplementary contracts	3	
4	Dividend accumulations and other amounts	4	
5	Advance premiums	5	
6	Special contingency reserves	6	
7	Add lines 1 through 6	7	

Life Reserves: Tax Return

- **Section 807(e)(6):** The Secretary shall require reporting opening and closing balances and the method of computing reserves

Form 1120-L (2019)		Page 3	
Schedule F Increase (Decrease) in Reserves (section 807) (see instructions)			
		(a) Beginning of tax year	(b) End of tax year
1	Life insurance reserves	1	
2	Unearned premiums and unpaid losses	2	
3	Supplementary contracts	3	
4	Dividend accumulations and other amounts	4	
5	Advance premiums	5	
6	Special contingency reserves	6	
7	Add lines 1 through 6	7	
8	Increase (decrease) in reserves under section 807. Subtract line 7, column (a), from line 7, column (b)	8	
9a	Tax-exempt interest	9a	
b	Increase in policy cash value of section 264(f) policies as defined in section 805(a)(4)(F)	9b	
c	Add lines 9a and 9b	9c	
10	Policyholders' share percentage	10	30%
11	Policyholders' share of tax-exempt interest and the increase in policy cash value of section 264(f) policies as defined in section 805(a)(4)(F). Multiply line 9c by line 10	11	
12	Net increase (decrease) in reserves. Subtract line 11 from line 8. If an increase, enter here and on page 1, line 10. If a decrease, enter here and on page 1, line 2	12	
Schedule C Policy Acquisition Expenses (section 848) (see instructions)			

Deferred Acquisition Costs

Deferred Acquisition Costs: Tax

- IRC Section 848(a): “In the case of an insurance company -
 - (1) specified policy acquisition expenses for a taxable year will likely be capitalized, and
 - (2) such expenses shall be allowed as a deduction ratably over the 180 month period beginning with the first month in the second half of such taxable year.”
- “Specified policy acquisition expenses” means, under §848(c)(1), so much of the general deductions for a taxable year as does not exceed the sum of:
 - 2.09 percent of the net premiums on specified insurance contracts which are annuity contracts (§848(c)(1)(A))
 - 2.45 percent of the net premiums on specified insurance contracts which are group life insurance contracts (§848(c)(1)(B))
 - 9.2 percent of the net premiums on all other specified insurance contracts (§848(c)(1)(C))

Deferred Acquisition Costs: Tax

- General rule: Amortized over 180 months using a half year convention (i.e., 6 months amortization in the first year)
- First \$5,000,000 is amortized over 60 months
 - If amount capitalized exceeds \$10,000,000, the amount subject to 60 month amortization is phased out on a dollar for dollar basis; no 60-month amortization where capitalized amount is \$15,000,000 or greater
 - Determination is made on a controlled group basis
- Capitalized amounts relating to reinsurance contracts need to be amortized over 180 months

Deferred Acquisition Costs: Current Tax

- **Step 1:** Obtain gross premiums and annuity considerations from Exhibit 1, Part 1 of the Annual Statement. Consider other necessary adjustments (e.g. premiums from non-specified contract(s), amounts excluded under reg 1.848-2(d)) and report on Sch. G, Line 1
- **Step 2:** Separate by type of insurance contract and capitalize based on the Section 848 IRS prescribed capitalization percentage
- **Step 3:** Compare current year capitalization amount to Section 805 general deductions and report the lesser of the two on Sch. G, Line 10

Deferred Acquisition Costs: Current Tax (cont.)

- **Step 4:** Enter current year capitalized policy acquisition expenses on Sch. G, Line 18a (More than \$5 million) or Sch. G, Line 15a (Less than \$5 million)
- **Step 5:** Enter current year amortization amount on Sch. G, Line 18b (note that mid-year convention for first and last years applies to amortization)
- **Step 6:** Report amortizable policy acquisition expenses from prior years deductible in the current year on Sch. G, Line 19
- **Step 7:** Add amounts capitalized in current year and deductible in current year to amounts capitalized in prior years and deductible in current year, then report on Form 1120, pg. 1, Line 16

Deferred Acquisition Costs: Current Tax (cont.)

Schedule G Policy Acquisition Expenses (section 848) (see instructions)

	(a) Annuity	(b) Group life insurance	(c) Other
1	Step 1		
2	Step 1		
3	Step 1		
4	Step 1		
5	Step 2		
6	6		
7	7		
8	8		
9	9		
10	10		
11	11		
12	12		
13	13		
14	14		
15a	15a		
15b	15b \$10,000,000		
16	16		
17a	17a		
17b	17b		
18a	18a Step 4		
18b	18b		
19	19		
20	20 Step 7		

4) Report CY capitalization amount on Sch. G, Line 18a

5) Enter CY amortization amount on Sch. G, Line 18b (mid-year convention)

6) Report amounts capitalized in PY and deductible in CY on Sch. G, Line 19

7) Report CY deductible policy acquisition expenses on Form 1120, pg. 1, Line 16

Form 1120-L U.S. Life Insurance Company Income Tax Return

For calendar year 2019 or tax year beginning 2019, ending 2020

OMB No. 1545-0123 **2019**

Department of the Treasury Internal Revenue Service

Go to www.irs.gov/Form1120L for instructions and the latest information.

A Check if: Consolidated return (attach Form 951) Please print or type Life-nonlife consolidated return Schedule M-3 (Form 1120-L) attached

Name: _____
 Number, street, and room or suite no., if a P.O. box, see instructions.
 City or town, state or province, country, and ZIP or foreign postal code

B Employer identification number _____
 C Date incorporated _____
 D Check applicable box if an election has been made under section(s): 953(c)(3)(C) 953(d)

E Check if: (1) Final return (2) Name change (3) Address change (4) Amended return

Instructions for filers (see instructions)	Income (line 8 is reserved)	Instructions for filers (see instructions)	Income (line 8 is reserved)
1	Gross premiums, etc., less return premiums, etc. Enter balance	1	1
2	Net decrease, if any, in reserves (Schedule F, line 12)	2	2
3a	Decrease in reserves under section 807(f)	3a	3a
b	Income from Reserve Transition Relief (see instructions)	3b	3b
4	Investment income (Schedule B, line 6) (see instructions)	4	4
5	Net capital gain (Schedule D (Form 1120), line 18)	5	5
7	Other income (attach statement)	7	7
8	Life insurance company gross income. Add lines 1 through 7	8	8
9	Death benefits, etc.	9	9
10	Net increase, if any, in reserves (Schedule F, line 12)	10	10
11a	Increase in reserves under section 807(f)	11a	11a
b	Deduction from Reserve Transition Relief (see instructions)	11b	11b
12	Deductible policyholder dividends under section 808	12	12
13	Assumption by another person of liabilities under insurance, etc., contracts	13	13
14	Dividends reimbursable by taxpayer	14	14
15a	Interest	b	Less tax-exempt interest expense
15b	Deductible policy acquisition expenses (Schedule G, line 20)	c	Balance
16	Deductible policy acquisition expenses (Schedule G, line 20)	16	16 Step 7
17	Reserved for future use		
18	Other deductions (see instructions) (attach statement)		
19	Other deductions (see instructions) (attach statement)		

Includes premium information for another life insurance company to illustrate the tax return reporting example.

	CAPITALIZATION				Total
	Annuity	A&H	Life	Total	
Total Non-Qualified Direct Premiums	211,564,765				211,564,765
Other Adjustments (+)					
Total Non-Qualified Direct Premiums	211,564,765	-	-	-	211,564,765
Capitalization Percentage	2.09%	2.45%	9.20%		
Total Capitalized	4,421,704	-	-	-	4,421,704

Periods	Period Ending	Capitalized	Amortized (Prior Period)	Amortized (Current Period)	Unamortized Balance
10	2009	2,833,696	(2,692,011)	(141,685)	142,820
10	2010	2,856,416	(2,427,954)	(285,642)	381,213
10	2011	2,541,419	(1,906,064)	(254,142)	590,114
10	2012	2,360,457	(1,534,297)	(236,046)	704,377
10	2013	2,012,507	(1,106,879)	(201,251)	1,143,761
10	2014	2,541,690	(1,143,761)	(254,169)	1,894,238
10	2015	3,444,069	(1,205,424)	(344,407)	3,430,102
10	2016	5,277,080	(1,319,270)	(527,708)	4,574,453
10	2017	6,099,271	(914,891)	(609,927)	7,870,086
15	2018	8,744,540	(291,485)	(582,969)	3,578,970
15	2019	3,702,383		(123,413)	24,310,135
		42,413,528	(14,542,035)	(3,561,358)	



Other Supporting Schedules

Supporting Schedules on the Annual Statement

P&C

- Schedule F – Reinsurance
- Schedule H – Accident and health exhibit
- Schedule P – Analysis of losses and loss expenses
- Schedule T – Exhibit of premiums written (allocated by states)
- Schedule Y – Related-party transactions

Life

- Schedule F – Resisted Claims
- Schedule H – Accident and health exhibit
- Schedule S – Reinsurance
- Schedule T – Exhibit of premiums written (allocated by states)
- Schedule Y – Related-party transactions

Notes to Financial Statements

P&C/Life

1. Summary of Significant Accounting Policies and Going Concern
5. Investments
11. Debt
12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences, & Postretirement Benefit Plans
17. Sale, Transfer, and Servicing of Financial Assets & Extinguishment of Liabilities
20. Fair Value Measurements
24. Retrospectively Rated Contracts & Contracts Subject to Redetermination
25. Change in Incurred Losses & Loss Adjustment Expenses

P&C: Schedule F: Reinsurance

- Used to identify the different reinsurance arrangements that an insurer may be taking part in, and provides an indicator of whether the insurer’s likelihood of collecting reinsurance losses
 - Tracks both ceded and assumed reinsurance
- Includes a portfolio of reinsurance effected or cancelled during the current year

SCHEDULE F - PART 1
Assumed Reinsurance as of December 31, Current Year (\$000 Omitted)

1 ID Number	2 NAIC Company Code	3 Name of Reinsured	4 Domiciliary Jurisdiction	5 Assumed Premium	6 Reinsurance On			9 Contingent Commissions Payable	10 Assumed Premiums Receivable	11 Unearned Premium	12 Funds Held by or Deposited With Reinsured Companies	13 Letters of Credit Posted	14 Amount of Assets Pledged or Balances to Secure Letters of Credit	15 Amount of Assets Pledged or Collateral Held in Trust
					6 Paid Losses and Loss Adjustment Expenses	7 Known Case Losses and LAE	8 Cols. 6 + 7							
Affiliates - U.S. Non-Pool - Other														
56-1951009	10389	Agent Alliance Insurance Company	AL	54,979		3,710	3,710		14,976	15,273				
94-1368770	26905	Century-National Insurance Company	CA	195,896	7,057	43,270	50,327	1,686	67,794	88,943				
62-1694050	42781	Direct General Insurance Company	IN	310,582	(10)	36,983	36,973		157,454	162,471				

Life: Schedule F: Resisted Claims

SCHEDULE F

Showing all claims for death losses and all other contract claims resisted or compromised during the year, and all claims for death losses and all other contract claims resisted December 31 of current year

1	2	3	4	5	6	7	8
Contract Numbers	Claim Numbers	State of Residence of Claimant	Year of Claim for Death or Disability	Amount Claimed	Amount Paid During the Year	Amount Resisted Dec. 31 of Current Year	Why Compromised or Resisted
6958958	L18523	MI	2018	2,500,000	7,843		Suicide within 2 years
6828895	L8960	NY	2019	934,086	25,147		Suicide within 2 years
6828896	L8960	NY	2019	1,293,666	2,432		Suicide within 2 years
4432418	-	NY	2019	250,000	10,816		Rescission of policy due to material misrepresentation
0199999. Death Claims - Ordinary				4,977,752	46,238		XXX
0599999. Death Claims - Disposed Of				4,977,752	46,238		XXX
00387990	Z01044328	TX	2018	135,000	27,500		Settlement reached
00447847	Z01050283	NY	2018	75,000	15,000		Settlement reached
0899999. Additional Accidental Death Benefits-Group				210,000	42,500		XXX

Life: Schedule S: Reinsurance

- Used to identify the different reinsurance arrangements that an insurer may be taking part in, and provides an indicator of whether the insurer's likelihood of collecting reinsurance losses
 - Tracks both assumed (Part 1) and ceded (Part 3) reinsurance
- Includes a portfolio of reinsurance effected or cancelled during the current year

SCHEDULE S - PART 1 - SECTION 1

Reinsurance Assumed Life Insurance, Annuities, Deposit Funds and Other Liabilities
Without Life or Disability Contingencies, and Related Benefits Listed by Reinsured Company as of December 31, Current Year

1 NAIC Company Code	2 ID Number	3 Effective Date	4 Name of Reinsured	5 Domiciliary Jurisdiction	6 Type of Reinsurance Assumed	7 Amount of In Force at End of Year	8 Reserve	9 Premiums	10 Reinsurance Payable on Paid and Unpaid Losses	11 Modified Coinsurance Reserve	12 Funds Withheld Under Coinsurance
General Account - Affiliates - U.S. - Other											

SCHEDULE S - PART 3 - SECTION 1

Reinsurance Ceded Life Insurance, Annuities, Deposit Funds and Other Liabilities
Without Life or Disability Contingencies, and Related Benefits Listed by Reinsuring Company as of December 31, Current Year

1 NAIC Company Code	2 ID Number	3 Effective Date	4 Name of Company	5 Domiciliary Jurisdiction	6 Type of Reinsurance Ceded	7 Type of Business Ceded	8 Amount In Force at End of Year	9 Reserve Credit Taken		11 Premiums	12 Outstanding Surplus Relief		14 Modified Coinsurance Reserve	15 Funds Withheld Under Coinsurance
								9 Current Year	10 Prior Year		12 Current Year	13 Prior Year		
General Account - Authorized - Non-Affiliates - U.S. Non-Affiliates														

P&C/Life: Schedule T – Exhibit of Premium Written

- The schedule is intended to report Premiums, Losses, and Other Items allocated to each state or territory during the current reporting period regardless of the reporting entity’s license status within that state or territory
 - Allocation of Premiums and Other Items reported within this schedule should be based on the physical location of the insured risk
 - Amounts reported as Losses should be assigned to the state in which the associated Premium has been allocated
- Part 2 of Schedule T relates to specific lines of business and coverages
- Extremely helpful for purposes of calculating apportionment on state income tax returns!

SCHEDULE T - PREMIUMS AND ANNUITY CONSIDERATIONS

Allocated by States and Territories

States, Etc.	1		Direct Business Only				
	Active Status	Life Contracts		4 Accident and Health Insurance Premiums, Including Policy, Membership and Other Fees	5 Other Considerations	6 Total Columns 2 through 5	7 Deposit-Type Contracts
		2 Life Insurance Premiums	3 Annuity Considerations				
1. Alabama.....	AL	L	24,593			24,593	
2. Alaska.....	AK	N	1,203			1,203	
3. Arizona.....	AZ	L	5,633	580		6,213	
4. Arkansas.....	AR	L	47,888	2,785	2,697	53,370	
5. California.....	CA	N	62,688	1,776	133	64,597	
6. Colorado.....	CO	L	254,609	35,506	120	290,235	
7. Connecticut.....	CT	N	16,512			16,512	
8. Delaware.....	DE	N	5,541			5,541	

P&C/Life: Schedule Y: Intercompany Activities

- Diagrams the company's organizational chart in addition to displaying it in a list form
- Details all of the intercompany transactions with affiliates, in which the sum of each column must equal zero

Annual Statement for the year 2015 of the **American Southern Insurance Company**

SCHEDULE Y

PART 1A - DETAIL OF INSURANCE HOLDING COMPANY SYSTEM

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Group Code						Name of Securities Exchange if Available		Domiciliary Location	Relationship to Reporting Entity	Directly Controlled by (Name of Entity/Person)	Type of Control (Ownership Board, Management, Attorney-in-Fact, Influence, Other)	If Control is Ownership Provide Percentage	Ultimate Controlling Entity(ies)/Person(s)	*

Financial Reporting for Income Taxes

Tax in the Annual Statement

- Pages where tax amounts are reported
 - Page 2 – Deferred Tax Asset (admitted and non-admitted); Taxes Recoverable
 - Page 3 – Deferred Tax Liability; Taxes Payable
 - Page 4 – Tax benefit/expense; Interest Maintenance Reserve; Tax on Capital Gains
 - Page 5 – Change in admitted DTA
 - Notes – Income Tax Footnote
 - Components of gross and net deferred tax assets and deferred tax liabilities including admissibility computations
 - Components of current tax and deferred taxes
 - Carryforwards/carryovers, including expirations
 - Entities included in consolidated return and tax sharing method
 - Information about tax contingencies and statutory valuation allowance
 - Rate reconciliation

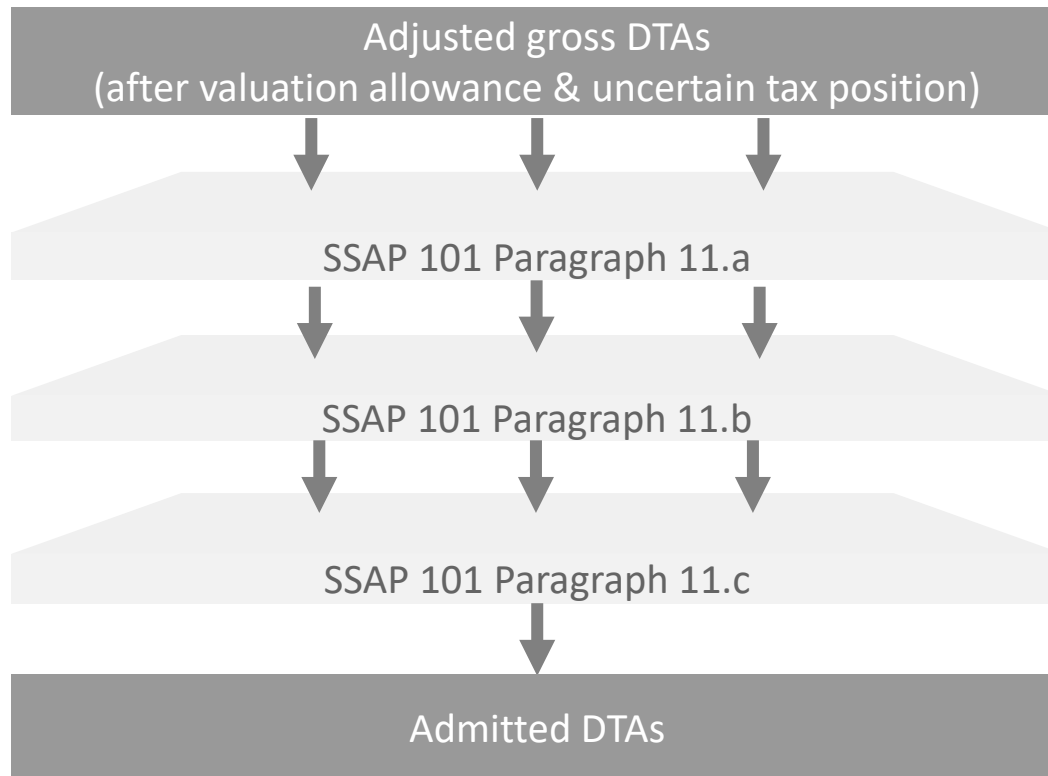
SSAP 101

Overview of SSAP 101

- NAIC codified the Accounting Practices and Procedures Manual as Statements on Statutory Accounting Principles (“SSAP”)
- NAIC adopted ASC 740 principles with modifications:
 - Admitted DTAs are limited to:
 - DTAs admitted per 11(a), 11(b), & 11(c)
 - Change in DTAs and DTLs are recorded directly to surplus
- Intercompany income tax transactions must be pursuant to written agreement, consistent with SSAP, and asset must be settled within 90 days
 - **Non-admitted assets:** Assets that are not readily converted to cash including impaired investments, receivables over 90 days old, deferred taxes, and furniture and fixtures.

SSAP 101 Admissibility Testing

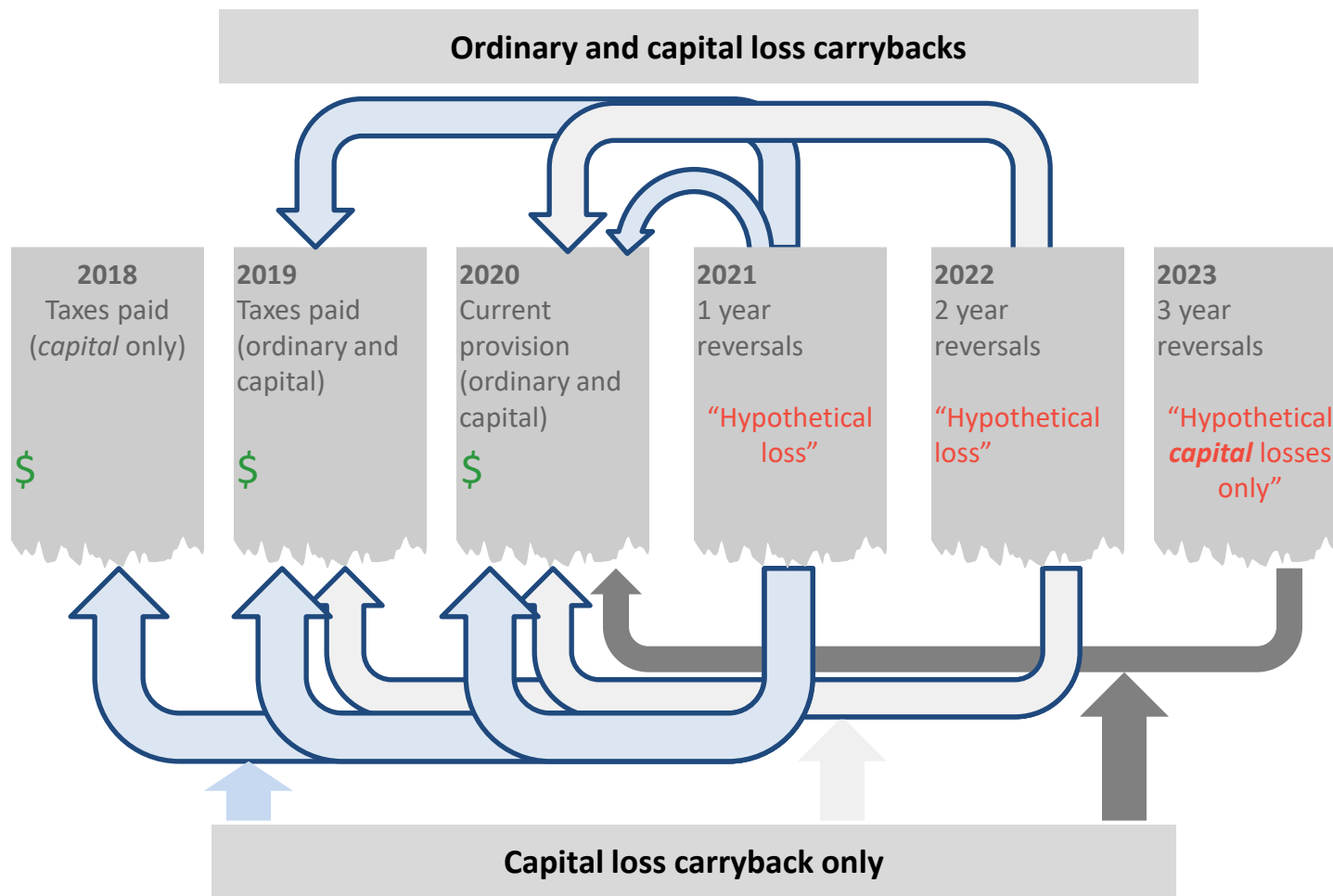
- Adjusted gross DTAs admitted based upon a 3-component admission calculation at an amount equal to the sum of paragraphs 11.a., 11.b. and 11.c.



SSAP 101 – Paragraph 11.a

- Admitted DTA equals the amount of “federal income taxes paid in prior years that can be recovered through loss carrybacks for existing temporary differences that reverse during a timeframe corresponding with IRS tax loss carryback provisions, not to exceed three years...”
- Ordinary losses = 2 year carryback period (P&C only)
- Capital losses = 3 years carryback period (both P&C and Life)
- Capital losses can only be recovered to the extent of capital gains
- Need to first determine how much of the DTAs will reverse over the next three years
- Such reversals create a hypothetical tax loss that then must be tested to see if have capacity to realize under hypothetical carry-back claim
- Other key points:
 - Applies to all insurance companies (not elective and no eligibility requirements)
 - Tax loss contingences are included in definition of “tax paid”
 - Tax years and carryback provisions must be respected
 - Must consider character of taxes recoverable

SSAP 101 – Paragraph 11.a illustration (P&C)



SSAP 101 – Paragraph 11.b

DTA admitted under Paragraph 11.b equals the lesser of:

Paragraph 11.b.i

- The amount of adjusted gross DTAs, after the application of paragraph 11.a., expected to be realized within the applicable period following the balance sheet date
 - Applicable period based on new Realization Threshold Limitation Tables
 - Requires “with and without” computations to determine the tax savings a company would expect to realize from its reversing deductible temporary differences

Paragraph 11.b.ii

- An amount no greater than the applicable percentage of adjusted statutory capital and surplus shown on the statutory balance sheet for the current period¹.
 - Applicable percentage based on new Realization Threshold Limitation Tables
 - Phrase “an amount no greater than” is meant to ease the application of the standard during an interim period (and possibly year-end)

¹. Adjusted capital and surplus is based on statutory capital and surplus for the current reporting period excluding any net DTAs, EDP equipment and operating system software and any net positive goodwill.

SSAP 101 – Paragraph 11.b

- There are three “Realization Threshold Limitation Tables”
- Use the applicable table depending on type of reporting entity:
 1. RBC Reporting Entities
 - For those entities subject to RBC requirements
 2. Financial Guaranty or Mortgage Guaranty Non-RBC Reporting Entities
 - Must not be subject to RBC requirements or required to file a RBC report with domiciliary state
 - Must meet the minimum capital and reserve requirements in state of domicile
 3. Other Non-RBC Reporting Entities
 - Must not be subject to RBC or required to file a RBC report with domiciliary state
 - Must not be a financial guaranty or mortgage guaranty insurer
 - Must meet the minimum capital and reserve requirements in state of domicile

SSAP 101 – Paragraph 11.b

Table for RBC reporting entities:

ExDTA ACL RBC¹	Par. 11.b.i	Par. 11.b.ii
Greater than 300%	3 years	15%
200% – 299%	1 year	10%
Less than 200%	0 years	0%

¹ RBC ratio calculated based on the authorized control level (ACL) RBC without net DTAs.

SSAP 101 – Paragraph 11.b

Table for Financial Guaranty and Mortgage Guaranty Non-RBC Reporting Entities:

ExDTA surplus/policyholders' and contingency reserves ¹	Par. 11.b.i	Par. 11.b.ii
Greater than 115%	3 years	15%
100% – 115%	1 year	10%
Less than 100%	0 years	0%

¹ For mortgage insurers, the ratio is based on the requirements of Section 12 of the NAIC Mortgage Guaranty Insurance Model Law. For financial guaranty insurers, the ration is based on the requirements of Section 4C of the NAIC Financial Guaranty Insurance Model Law.

SSAP 101 – Paragraph 11.b

Table for Other Non-RBC Reporting Entities:

Adj. Gross DTA1/Adj. Capital and Surplus²	Par. 11.b.i	Par. 11.b.ii
Greater than 115%	3 years	15%
100% – 115%	1 year	10%
Less than 100%	0 years	0%

¹ Excludes DTAs admitted under SSAP 101 paragraph 11.a.

² Adjusted capital and surplus is based on statutory capital and surplus for the current reporting period excluding any net DTAs, EDP equipment and operating system software and any net positive goodwill

Expected to be realized (11.b.i)

- Addressed in Q&A 6 with various examples
- Encompasses a reasonable expectation as to the value of DTAs reversing within the applicable period
- Accomplished through a calculation of a company's future income tax liability "with and without" the reversing temporary differences
- What is the benefit to the company via future tax savings from the reversing temporary differences?
- Can't double-count with the first component

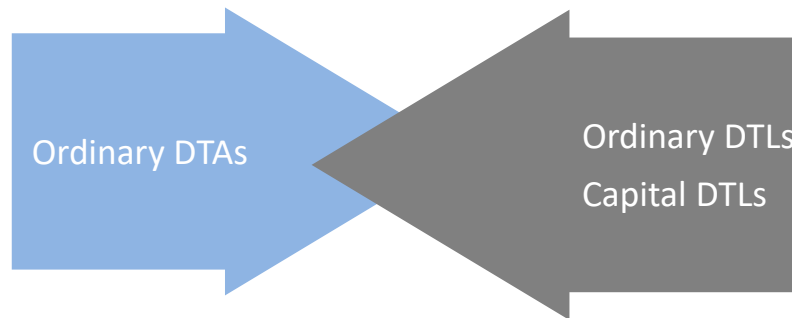
Expected to be realized (11.b.i)

- Addressed in Q&A 6 with various examples
- Encompasses a reasonable expectation as to the value of DTAs reversing within the applicable period
- Accomplished through a calculation of a company's future income tax liability "with and without" the reversing temporary differences
- What is the benefit to the company via future tax savings from the reversing temporary differences?
- Can't double-count with the first component

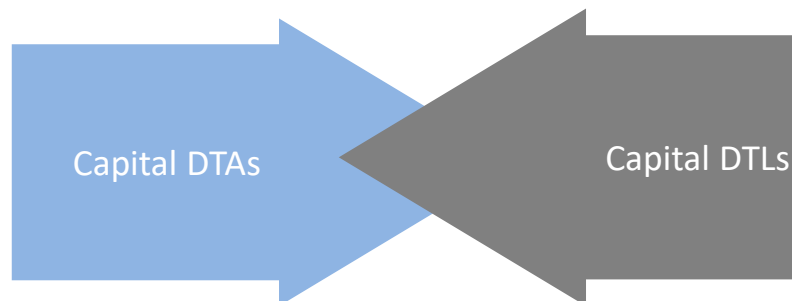
SSAP 101 – Paragraph 11.c.

- Admitted DTA equals the amount of adjusted gross DTAs, after the application of paragraphs 11.a. And 11.b., that can be offset against existing gross DTLs.
 - Character is key to the analysis
 - Must consider the reversal patterns of temporary differences
 - However, scheduling of DTAs and DTLs is not required beyond what was performed in the statutory valuation allowance analysis

Ordinary DTAs can offset both Ordinary and Capital DTLs



Ordinary DTAs can offset both Ordinary and Capital DTLs



Questions?

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