

2023 Annual Statement Instructions for Tennessee County Mutual Insurers

Annual Statement Instructions

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Jurat Page

Page 1 is the Jurat Page, which identifies the insurer, its principal officers, and its administrative and statutory office locations. The Jurat Page also contains an affidavit, signed by officers of the insurer, that affirms the completeness and accuracy of the information contained in the Annual Statement.

Statutory Home Office – The statutory home office within the insurer’s state of domicile as registered with the Tennessee Department of Commerce and Insurance.

Mail Address – The insurer’s mailing address, if other than the main administrative office address. It may be a P.O. Box number and the associated ZIP code.

Main Administrative Office – The location of the company’s main administrative office.

Annual Statement Contact – The name, telephone number, and e-mail address of the Annual Statement contact person.

Officers, Directors, & Trustees – Show full name (initials not acceptable). Those officers and directors who did not occupy the indicated position in the previously filed statement should have a number sign (#) placed next to their name. When listing officers, only those vice presidents, as determined by the insurer, who fulfill major policy-making or managerial roles need to be individually listed. (NOTE: A biographical affidavit should be submitted to the Tennessee Department of Commerce and Insurance for any new officers and directors.)

Signatures – The Jurat Page should be signed by at least the President and Secretary or in their absence by two officers of the company elected by the board, pursuant to Tennessee Code Annotated § 56-1-501(a). The Annual Statement filed with the Tennessee Department of Commerce and Insurance must have original signatures of at least two officers and should be properly notarized.

Amendments – If this is an amendment, change, or modification of previously filed information, indicate so in the lower righthand corner of the page and state the amendment number, the date the amendment is being filed, and the number of Annual Statement pages being changed by the amendment. The Jurat Page should always accompany an amendment.

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Assets

Page 2 displays the net admitted assets of the insurer as of December 31 of the current and prior year, stated in accordance with accounting practices prescribed by the Tennessee Department of Commerce and Insurance for County Mutual insurers. Page 2 reflects gross assets as well as the adjustments for non-admitted assets to obtain the net admitted assets.

Lines 1 – Bonds – Bonds (including long-term certificates of deposit (CDs) in banks or other similar financial institutions with maturity dates of more than one year from the acquisition date) are generally recorded on the insurer’s general ledger at actual acquisition cost or amortized value, commonly referred to as *book value*. Book value for bonds will generally not fluctuate from actual cost unless the insurer is amortizing bond premium, accruing the bond discount, or recording write-downs due to impairment. Adjustments made to book value are recorded on the income statement as an entry to investment income (for premium amortization or discount accrual) or realized capital losses (for impairment write-downs). Bonds should be admitted on the Annual Statement at *book value*, as noted above.

Crosscheck: the amount reported on this line should agree with Schedule D–Part 1 (Page 14), Line 9999, Column 14.

Relevant literature: Tenn. Code Ann. § 56-3-113, SSAP #26 - Bonds, and the Purposes and Procedures Manual of the National Association of Insurance Commissioners (NAIC) Investment Analysis Office.

Line 2 – Stocks – Investments in stocks are separated on the balance sheet between preferred stocks and common stocks. These stock investments are listed in detail on Schedule D-Part 2.

Line 2.1 – Stocks: Preferred Stocks – Preferred stocks are generally recorded on the insurer’s general ledger at actual acquisition cost or amortized cost, commonly referred to as *book value*. Book value for preferred stock will generally not fluctuate from actual cost unless the insurer is amortizing any premium, accruing any discount, or recording write-downs due to impairment. Adjustments made to book value are recorded on the income statement as an entry to investment income (for premium amortization or discount accrual) or realized capital losses (for impairment write-downs).

How the preferred stocks will be admitted on the Annual Statement depends on the alphanumeric NAIC designation. If a preferred stock is “redeemable” and has the designation 1 or 2, it should be admitted at “book value”. If a preferred stock is not redeemable and has the designation 1 or 2, it should be admitted at “market value”. If the designation of any preferred stock is 3 or lower, it should be admitted at “lower of book or market value”.

The market value shall represent the quoted market rate as listed on the New York Stock Exchange, NASDAQ National Market System, or the American Stock Exchange, as of the end of the current year. If there is no quoted market rate, the insurer shall indicate how the price was determined in General Interrogatory #10 (Page 7.1). The difference between book value and market value is reported as an unrealized capital gain or (loss) and is accounted for as a direct adjustment to policyholders’ surplus.

Crosscheck: the amount reported on this line should agree with Schedule D–Part 2-Section 1 (Page 15), Line 9999, Column 7.

Relevant literature: Tenn. Code Ann. § 56-3-114 and SSAP #32 – Preferred Stock.

Line 2.2 – Stocks: Common Stocks – Non-affiliated common stocks are admitted on the Annual Statement at market value. The market value shall represent the quoted market rate as listed on the

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New York Stock Exchange, NASDAQ National Market System, or the American Stock Exchange, as of the end of the current year. If there is no quoted market rate, the insurer shall indicate how the price was determined in General Interrogatory #10 (Page 7.1). Unrealized capital gains or (losses) are accounted for as direct adjustments to policyholders' surplus.

Mutual Funds – In most instances, investments in mutual funds should be treated as common stock investments and reported in Schedule D – Part 2 – Section 2. Generally, this treatment does not vary depending on the types of securities in which the mutual fund invests. A mutual fund investing in corporate bonds is still treated as a common stock investment rather than a bond investment. The only exception where mutual funds may be treated differently is when a mutual fund invests 100% of its total assets in U.S. Government Bonds that are issued or guaranteed as payment of principal and interest by agencies and instrumentalities of the U.S. government, including single or multi-class mortgage-backed/asset-backed securities, and collateralized repurchase agreements comprised of those obligations at all times, (i.e. U.S. Treasuries, Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), Federal Home Loan Banks (FHLB), Government National Mortgage Association (GNMA), etc.). These mutual funds should be reported as bonds.

Crosscheck: the amount reported on this line should agree with Schedule D–Part 2–Section 2 (Page 16), Line 9999, Column 6.

Relevant literature: Tenn. Code Ann. § 56-3-114, SSAP #30 – Unaffiliated Common Stock, and the Purposes and Procedures Manual of the NAIC Investment Analysis Office (for investments in mutual funds).

Line 3 – Mortgage Loans on Real Estate – Mortgage loans represent loans made by or purchased by the insurer which are secured by real estate. They are detailed on Schedule B and are separated on the balance sheet between first liens and other than first liens. Mortgage loans are generally recorded on the insurer's general ledger at their unpaid principal balances (less any adjustments for permanent impairment), commonly referred to as *book value*.

Generally, mortgage loans are admitted on the Annual Statement at their *book value* up to 75% of the value of the underlying real estate per Tenn. Code Ann. § 56-3-402(11).

Line 3.1 – Mortgage Loans on Real Estate: First Liens – This line should include the book value of all first lien mortgages (whether in good standing or in default). Mortgage loans in default or otherwise impaired are to be admitted on the Annual Statement at the *lower* of book value or the value of the pledged collateral. The excess of book value over the pledged collateral for mortgages in default are included in this total but are deducted from gross assets and non-admitted on Line 26.

Crosscheck: the amount reported on Line 3.1 + Line 3.2 should agree with Schedule B–Part 1 (Page 12), Line 9999, Column 7.

Line 3.2 – Mortgage Loans on Real Estate: Other than First Liens – Second liens (or other than first lien mortgages) are not allowable investments according to Statutory Accounting Principles. The total book value of second lien mortgages is reported on this line but is deducted from gross assets and non-admitted on Line 27.

Crosscheck: the amount reported on Line 3.1 + Line 3.2 should agree with Schedule B–Part 1 (Page 12), Line 9999, Column 7.

Line 4 – Real Estate – All real estate owned is included here and listed in detail on Schedule A. Encumbrances (i.e., mortgages) payable which are secured by insurer owned real estate are reported

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as offsets (reductions) to the related real estate asset. Real estate is generally recorded on the insurer's general ledger at *book value* (i.e., cost, plus capitalized improvements, less depreciation).

Real estate is generally admitted on the Annual Statement at its book value less related encumbrances. However, Tenn. Code Ann. § 56-3-405(6) limits an insurer's total investment in real estate to only 10% of admitted assets. (If the insurer's total investment in real estate is in excess of 10% of admitted assets, the excess amount should be non-admitted on Line 25.)

Line 4.1 – Real Estate: Properties Occupied by the Company – Properties occupied by the insurer are generally admitted at net book value (depreciated cost) less related encumbrances. Properties in this category must be more than 50% occupied by the insurer, based on square footage. Properties not meeting this test are reported as investment real estate on Line 4.2.

Crosscheck: the amount reported on this line should agree with Schedule A–Part 1 (Page 9), Line 0199, Column 8.

Line 4.2 – Real Estate: Investment Real Estate – Investment real estate would include properties held for the production of income and properties held for sale. Investment real estate properties are admitted on the Annual Statement at the *lower* of net book value or market value, less related encumbrances. The excess of net book value over market value, less encumbrances, is included in this total but will be deducted from gross assets and non-admitted on Line 25.

Crosscheck: the amount reported on this line should agree with Schedule A–Part 1, Line 0299 (Page 9), Column 8.

Line 5 – Cash and Cash Equivalents – Amounts reported as cash and cash equivalents include funds on hand (i.e., petty cash and other undeposited funds), the reconciled book balances in checking and savings accounts, short-term CDs in banks or other similar financial institutions with maturity dates of one year or less from the acquisition date, money market funds, and other items considered to be cash equivalents.

Schedule E provides a listing of significant bank and savings accounts, short-term certificates of deposit (with original maturity one year or less), money market funds, and other cash items, including funds on hand. (Mutual Funds should be reported as either bonds or common stocks. See instructions for bonds (Line 1) and common stocks (Line 2.2).

Crosscheck: the amount reported on this line should agree with Schedule E–Cash and Cash Equivalents (Page 20), Line 9999, Column 5.

Relevant literature: SSAP #2 – Cash, Drafts, and Short-Term Investments.

Line 6 – Aggregate Write-ins for Invested Assets – Any other investments owned by the insurer not classified elsewhere are reported on this line. The insurer should itemize the individual components of this account at the bottom of Page 2 in the section labeled “Details of Write-Ins” supporting Line 6.

Line 7 – Subtotals, Cash, and Invested Assets – Line 7 is the sum of Lines 1 through 6.

Line 8 – Premium Receivables and Agents Balances – Original, renewal, endorsement, and installment premium balances due to the insurer from agents or directly from policyholders are included in this line. The due date is determined by the effective date of the insurance policy or the due date of installment. If the insurer uses an agent billing system, premiums receivable may be reported net of related agent commissions (fixed and provisional). Contingent commission adjustments are reported as a liability on Page 3, Line 6. If the insurer uses a direct billing system, the

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commissions are not netted against the receivable from policyholders but are recorded as a liability on Page 3, Line 6. The gross receivable is reported on this line with the deduction for any non-admitted accounts reported on Line 18. Generally, to the extent that there is no related unearned premium, any uncollected premium balances which are over 90 days due should be non-admitted.

Relevant literature: SSAP #6 – Uncollected Premium Balances, Bills Receivable for Premiums, and Amounts Due from Agents and Brokers.

Line 9 – Reinsurance Recoverable on Paid Losses and Loss Adjustment Expenses – The amounts reported here are the actual losses and loss expenses recoverable from reinsurers on losses and loss adjustment expenses which have been paid by the insurer but not yet recovered from the reinsurer. The gross reinsurance recoverable is reported on this line. Reinsurance recoverables on paid losses and loss adjustment expenses that are over 90 days old are non-admitted and deducted from gross assets on Line 19.

Crosscheck: the amount reported on this line in Column 1 should agree with the Underwriting and Investment Exhibit-Part 2B (Page 6), Column 3.

Line 10 – Federal Income Tax Recoverable – Federal income tax recoverable assets should be recorded for tax refunds reasonably expected to be recovered in a subsequent period, whether or not a tax return has actually been filed as of the Annual Statement filing date. Income tax recoverables are reasonably expected to be recovered if the refund is attributable to overpayment of estimated tax payments, errors, carrybacks, or items for which the insurer has substantial authority.

Relevant literature: SSAP #101 – Income Taxes.

Line 11 – Interest, Dividends, and Real Estate Income Due and Accrued – This line should report all investment income earned as of December 31 but not yet received. Amounts over 180 days past due on mortgage loans and over 90 days past due on all other investment income items are considered non-admitted assets and are included in this total but deducted from gross assets on Line 21.

Crosscheck: the amount reported on this line in Column 1 should agree with the Underwriting and Investment Exhibit - Part 1A (Page 5.1), Line 8, Column 4.

Crosscheck: the amount reported on this line in Column 2 should agree with the Underwriting and Investment Exhibit - Part 1A (Page 5.1), Line 8, Column 5.

Line 12 – Furniture, Equipment, and Supplies – Furniture, equipment, and supplies would include capitalized office furniture, office equipment (other than Electronic Data Processing (EDP) equipment), automobiles, and other vehicles. It would also include office supplies, printed matter, and stationery. Furniture, equipment, and supplies are included in gross assets on this line but are considered non-admitted assets and deducted from gross assets on Line 22.

Line 13 - Electronic Data Processing Equipment and Software – The depreciated value of all capitalized EDP equipment and software is reported on this line. Operating system software (e.g., DOS, Windows, etc.) includes any software necessary to run and maintain the hardware. EDP equipment would include such items as minicomputers, personal computers, laptops, and peripheral equipment such as disk drives, tape drives, and printers. EDP equipment and operating system software should be depreciated over a period not to exceed three years. Non-operating system software (often called “applications software”) includes software for applications such as the general ledger, policy administration, investment management, claims, and premium billing. Non-operating system software should be depreciated over a period not to exceed five years. The depreciated value

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of EDP equipment and operating software is an admitted asset to the extent that the total value does not exceed 3% of prior year-end surplus. Any excess over the 3% threshold is included in this line but will be non-admitted and deducted from gross assets on Line 23. In addition, although the depreciated value of non-operating system software is included on Line 13, it is a non-admitted asset and deducted from gross assets on Line 23.

Relevant literature: SSAP #16R – Electronic Data Processing Equipment and Software.

Line 14 – Loans on Personal Security, Endorsed or Not – Loans on personal security by definition are not properly secured by collateral. These items would include cash advances to officers or agents and travel advances. Loans on personal security are considered non-admitted assets. The total is reported on this line but is deducted from gross assets on Line 20.

Line 15 – Prepaid Expenses – Prepaid expenses (e.g., prepaid rent, prepaid insurance, prepaid taxes, etc.) are considered non-admitted assets. The total is reported on this line but is deducted from gross assets on Line 24.

Line 16 – Aggregate Write-ins for Other Than Invested Assets – Assets owned by the insurer not classified elsewhere are reported on this line. The insurer should itemize the individual components of this account at the bottom of Page 2 in the section labeled “Details of Write-Ins” supporting Line 16.

Line 17 – Gross Assets – Line 17 is the sum of Lines 7 through 16. This represents total ledger and non-ledger assets before deduction for non-admitted assets.

Lines 18 through 29 – (Deductions for Assets Not Admitted)

Line 18 – Premium Receivables and Agents Balances Over 90 Days Past Due – Generally, premiums receivable (whether due from policyholders or agents) should be non-admitted to the extent that individual policy premium receivable balances are over 90 days old and are greater than the related individual unearned premium reserve. (For example, if the premium due is \$100 and it is less than 90 days old, it is an admitted asset. If the \$100 premium due is more than 90 days old, then it must be compared to the unearned premium. If the unearned premium is \$75, then \$25 would be non-admitted.)

Relevant literature: SSAP #6 – Uncollected Premium Balances, Bills Receivable for Premiums, and Amounts Due from Agents and Brokers.

Line 19 – Reinsurance Recoverables on Paid Losses and Loss Adjustment Expenses Over 90 Days Past Due – Amounts due from reinsurers should be non-admitted to the extent that the recoverable amounts are over 90 days old as of the end of the current year.

Line 20 – Loans on Personal Security, Endorsed or Not – The amount reported on this line should equal the amount included on Line 14 (i.e., the full amount of these assets should be non-admitted).

Line 21 – Interest, Dividends and Real Estate Income Overdue – The amount for interest over 180 days past due on mortgage loans and over 90 days past due on all other investment income items are non-admitted assets and should be reported on this line.

Relevant literature: SSAP #34 - Investment Income Due and Accrued.

Line 22 – Furniture, Equipment, and Supplies – The amount reported on this line should equal Line 12 (i.e., the full amount of these assets should be non-admitted).

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Line 23 – Electronic Data Processing Equipment and Software – The depreciated value of EDP equipment and operating software is an admitted asset to the extent that the value does not exceed 3% of prior year-end surplus. Any excess over the 3% threshold should be non-admitted and should be reported on this line.

In addition, the total amount reported on Line 13 for non-operating software should also be included on this line.

Line 24 – Prepaid Expenses – The amount reported on this line should equal the amount included on Line 15 (i.e., the full amount of these assets should be non-admitted).

Relevant literature: SSAP #29 – Prepaid Expenses.

Line 25 – Real Estate – Excess of Book Value over Market Value – Investment real estate properties are admitted at the *lower* of net book value or market value, less related encumbrances. This line should identify the total excess of book value of investment real estate over market value, less related encumbrances.

Relevant literature: SSAP # 40R – Real Estate Investments.

Line 26 – Mortgages Currently in Default – Excess of Book Value over Pledged Collateral – Mortgages currently in default or otherwise impaired are admitted at the *lower* of the value of the pledged collateral or the book value of the mortgage. This line should include the total of the excess of book value over pledged collateral.

Line 27 – Mortgages Other Than First Liens – The amount reported on this line should equal the amount included on Line 3.2 (i.e., the full amount of these assets should be non-admitted).

Line 28 – Non-admitted Assets Due to Investment Limitation – County Mutual insurers are subject to investment limitations defined in Tenn. Code Ann. § 56-3-402 and Tenn. Code Ann. § 56-3-405 (Investments of Other Domestic Insurance Companies). Investment holdings that violate or exceed these investment limitations are to be non-admitted and reported on this line.

Line 29 – Other Assets Non-Admitted – This line should include any non-admitted asset not previously reported on Lines 18 through 28. The insurer should itemize the individual components of this account at the bottom of Page 2 in the section labeled “Details of Write-Ins” supporting Line 29.

Line 30 – Total Assets Non-Admitted – Line 30 is the sum of Lines 18 through 29.

Line 31 – Total Admitted Assets – Line 31 is the total of Line 17 minus Line 30.

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Liabilities and Policyholders' Surplus

Page 3 displays the insurer's liabilities and policyholders' surplus as of December 31 of the current and prior year stated in accordance with accounting practices prescribed by the Tennessee Department of Commerce and Insurance for County Mutual insurers.

Line 1 – Unpaid Losses and Claims – Unpaid losses represent an insurer's estimated liability for incurred but unpaid claims as of the statement date (i.e., both reported claims and incurred but not reported claims).

Relevant literature: SSAP #55 – Unpaid Claims, Losses, and Loss Adjustment Expenses.

Line 1.1 – Gross Losses and Claims Reported, Unpaid – This line should include an estimate of the total expected payments for losses relating to insured events that have occurred and have been reported to, but not paid by, the insurer as of the statement date (i.e., unpaid adjusted claims and claims reported or in the process of adjustment in which case reserves have been established).

Line 1.2 – Gross Losses and Claims Incurred But Not Reported – A reserve should be established on this line for total expected payments relating to insured events that have occurred but have *not* been reported to the insurer as of the statement date (i.e., an estimate for losses incurred in the reporting year, but not reported until after December 31 of the reporting year).

Line 1.3 – Reinsurance Recoverable on Unpaid Losses and Claims – This line should include the total estimated ceded reinsurance recoverable on unpaid losses and claims.

Relevant literature: SSAP #62R - Property and Casualty Reinsurance.

Line 1.4 – Total Unpaid Losses and Claims – Line 1.4 is the total of Line 1.1 plus Line 1.2 minus Line 1.3.

Crosscheck: the amount reported on this line in Column 1 should agree with the Underwriting and Investment Exhibit-Part 2B (Page 6), Column 5.

Crosscheck: the amount reported on this line in Column 2 should agree with the Underwriting and Investment Exhibit-Part 2B (Page 6), Column 6.

Line 2 – Loss Adjustment Expenses – This line should include an estimate of the total expected payments for loss adjustment expenses (LAE) to be incurred in connection with the investigation, settlement, and recording of the insurer's unpaid losses and claims. LAE can include litigation management expenses, fees or salaries for appraisers, attorneys, adjusters, and settling agents. Unpaid LAE should include sufficient provision for both external costs (external legal expense and outside adjusters) and internal costs (internal claim processing, defense, and administrative items such as salaries, rent, utilities, etc).

Relevant literature: SSAP No. 55, Unpaid Claims, Losses and Loss Adjustment Expenses.

Line 3 – Unearned Premiums – Written premium shall be recorded on the effective date of the contract. The unearned premium reserve represents that portion of premiums written relating to the unexpired terms of current in-force policies. The liability is stated net of ceded unearned premiums. The purpose of the unearned premium reserve is to recognize revenue over the policy period. In addition, if the policy is canceled, the insurance company returns the unearned portion of the premium to the policyholder.

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Crosscheck: the amount reported on this line in Column 1 should agree with the Underwriting and Investment Exhibit –Part 2A (Page 6), Column 6.

Crosscheck: the amount reported on this line in Column 2 should agree with the Underwriting and Investment Exhibit-Part 2A (Page 6), Column 5.

Line 4 – Advance Premiums – Advance premiums result when the premium has been paid prior to the policy effective date. These advance premiums should be reported as a liability on this line and not considered income until due. Advance premiums are not included in the calculation of written premiums or the unearned premium reserve.

Line 5 – Ceded Reinsurance Premiums Payable – This liability represents the amount of ceded premiums due to the reinsurer, but not yet paid at the end of the current year.

Line 6 – Commissions Payable, Contingent Commissions, and Other Similar Charges – Commissions payable includes provisional or front-end commissions on direct business that are directly billed to the policyholders rather than to the agents.

Line 7 – Accounts Payable and Accrued Expenses Payable – Include here all accounts payable and accrued liabilities relating to underwriting and investment activities (except for commissions which are included on Line 6, and taxes, licenses, and fees which are included on Line 8). Examples of items reported on this line are: accounts payable, accrued salaries payable, employer's portion of payroll taxes payable (i.e., FICA), accrued employee benefits, trade accounts payable (for advertising, rent, utilities, telephone, etc.), and all other underwriting and investment expenses payable which were incurred and unpaid as of year's end.

Line 8 – Taxes, Licenses, and Fees Payable (excluding federal income taxes) – Report here any incurred but unpaid taxes such as premium taxes, real estate taxes, state and local income, and franchise taxes. State insurance department charges for licenses and examinations that have been incurred and are unpaid as of year's end are also included here. Federal income taxes payable, which are excluded from Line 8, are reported on Line 9.

Line 9 – Federal Income Tax Payable and Interest Thereon – Amounts payable for federal income taxes and interest thereon should be reported on this line. (Federal income tax recoverables are reported on Page 2, Line 10.)

Line 10 – Amounts Withheld or Retained by Company for Account of Others – Examples of items included in this liability are: 1) payroll taxes (federal, state, FICA) withheld from employees; 2) miscellaneous withholdings as agent or trustee to be paid to others; 3) amounts held in escrow such as real estate taxes and insurance payments received from mortgagees on mortgage loan investments; and 4) security deposits received on real estate rented to others.

Relevant literature: SSAP #67, Other Liabilities.

Line 11 – Borrowed Money – Report here any outstanding debt and interest expense accrued on the debt at year's end. Exclude encumbrances on the insurer's owned real estate, which are treated as a direct reduction of the related real estate asset on Page 2, Line 4.

Line 12 – Remittances and Items Not Allocated – Report on this line any items in suspense. Examples include premiums, salvage, subrogation, and reinsurance not yet processed, as well as any other unapplied cash. Also report a liability for cash receipts that the insurer either cannot identify as being received for a specific purpose or cannot apply to a specific account when received.

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Relevant literature: SSAP #67, Other Liabilities.

Line 13 – Aggregate Write-ins for Liabilities – Liabilities not classified elsewhere are reported on this line. The insurer should itemize the individual components of this account at the bottom of Page 3 in the section labeled “Details of Write-Ins” supporting Line 13.

Line 14 – Total Liabilities – Line 14 is the sum of Lines 1.4 through 13.

Line 15 – Policyholders’ Surplus – Policyholders’ surplus is the difference between admitted assets (Page 2, Line 31) and liabilities (Page 3, Line 14). Policyholders’ surplus represents the net financial resources of the insurer available to support: 1) growth in premium writings; 2) poor underwriting results; 3) fluctuations in investment values; 4) deficiencies in loss and loss adjustment expense reserves; and 5) potential uncollectible ceded reinsurance recoverable or premium receivable balances.

Crosscheck: the amount reported on this line should agree with Statement of Income (Page 4.1), Line 23, Column 1.

Line 16 – Total Liabilities & Policyholders Surplus – Line 16 is the sum of Lines 14 and 15.

Crosscheck: the amount reported on this line should agree with Assets (Page 2), Line 31.

Statement of Income & Policyholders' Surplus Account

Page 4.1 displays the insurer's statement of income and policyholders' surplus account reconciliation as of December 31 of the current year and prior year stated in accordance with statutory accounting practices prescribed by the Tennessee Department of Commerce and Insurance for County Mutual insurers.

Statement of Income

The Statement of Income (Lines 1 through 16) reports the results of operations for the year. Performance ratios such as the calendar year loss and loss adjustment expense ratios can be developed from the amounts reported in the Statement of Income.

Line 1 – Net Premiums and Assessments Earned – Premium income is generally considered to be earned as the related insurance coverage is provided. The determination of premiums earned first requires a function of both written premiums and unearned premiums on direct and ceded business. Earned premium is the portion of premium received for the expired portion of the policy, as expressed in the following formula:

$$\text{Earned Premiums} = \frac{\text{Policy premium X Expired coverage days}}{\text{Total number of days in the policy}}$$

Premiums received in advance of the policy effective date should be recorded as a liability on Page 3, Line 4 – Advance Premiums, and should not be used in the calculation of written premium.

For the purpose of financial statement reporting, earned premiums from all policies may be determined by the following calculation:

	Net Written Premiums
Plus:	Unearned Premium Reserve (at the beginning of the period)
Less:	<u>Unearned Premium Reserve (at the end of the period)</u>
Equals:	Net Earned Premiums

Crosscheck: the amount reported on this line should agree with Underwriting & Investment Exhibit-Part 2A (Page 6), Column 7.

Line 2 – Net Losses Incurred – This line reports the losses incurred for the calendar year. Calendar year losses include the estimate of ultimate losses for the current loss year or reporting period. This line should include losses on direct business less reinsurance recoveries on ceded business, as calculated by the following formula:

	Net Losses Paid
Plus:	Net Losses Unpaid (at the end of the period)
Less:	<u>Net Losses Unpaid (at the beginning of the period)</u>
Equals:	Net Losses Incurred

Crosscheck: the amount reported on this line should agree with Underwriting & Investment Exhibit-Part 2B (Page 6), Column 7.

Line 3 – Loss Expenses Incurred Including Claims Adjustment Expenses – This line reports total expenses incurred in connection with the investigation, settlement, and recording of claims. Examples include external and internal adjuster fees, external and internal legal services, expert testimony, court

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costs, claim personnel salaries, related employee benefits, and internal operating expenses associated with the claim function such as office rent, utilities, and data processing.

Line 4 – Other Underwriting Expenses Incurred – Acquisition costs and general administrative expenses are separated on the Income Statement by expense types on Lines 4.1 through 4.19. Under statutory accounting, acquisition costs are expensed when premiums written are recorded.

Line 4.1 – Commissions and Brokerage – Commissions and brokerage expenses are separated on the Statement of Income by direct commission expenses incurred (Lines 4.1a through 4.1c) and commissions received on reinsurance ceded (Line 4.1d).

Line 4.1a – Directors and Officers Compensation and Allowances – Include all payments and reimbursements to directors and officers for ordinary and contingent commissions. Also include expense allowances and reimbursements paid to other employee production personnel.

Line 4.1b – Agents Compensation and Allowances – Include all payments and reimbursements to agents and brokers for ordinary and contingent commissions. Also include expense allowances and reimbursements paid to agents, branch managers, and brokers.

Line 4.1c – Non-Employee Compensation and Allowances – Include all payments and reimbursements to non-employee agents and brokers for ordinary and contingent commissions. Also include expense allowances and reimbursements paid to non-employee agents, brokers, and other non-employee production personnel.

Line 4.1d – Commissions Received on Reinsurance Ceded – Ceded reinsurance agreements sometimes provide for a ceding commission to be paid by the reinsurer to the ceding company. These ceding commissions are recognized when the related ceded premiums written are recorded. This line should include commissions and allowances of every nature on reinsurance ceded, including tax and board allowances and reinsurance brokerage.

Line 4.1e – Net Commissions and Brokerage – Line 4.1e is the total of Line 4.1a plus Line 4.1b plus Line 4.1c minus Line 4.1d.

Line 4.2 – Field Supervisory Expenses – Include expenses related to field supervision.

Line 4.3 – Salaries and Related Items – Salaries and Related Items are separated on the Statement of Income by salary, overtime, and bonus compensation of employees on Line 4.3a and directors and officers on Line 4.3b and payroll taxes related to those expenses on Line 4.3c.

Line 4.3a – Employees' Salaries – Include on this line all salary, overtime, and bonus compensation for all employees whose names are **not** on the insurer's Jurat Page, and the cost of temporary help services utilized. An exception is building maintenance salaries, which are included in real estate expenses.

Line 4.3b – Directors and Officers Salaries – Include on this line all salary, overtime, and bonus compensation for all directors and officers whose names are on the insurer's Jurat Page.

Line 4.3c – Payroll Taxes – Payroll taxes (including FICA, unemployment, and Medicare) should be included on this line.

Line 4.3d – Total Salaries and Related Items – Line 4.3d is the sum of Lines 4.3a through 4.3c.

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Line 4.4 – Directors Fees – Include all fees and expenses associated with meetings of the Board of Directors. Commissions paid to directors should not be included on this line but instead should be reported on Line 4.1a (commissions paid to directors and officers).

Line 4.5 – Advertising and Subscriptions – Include all expenditures associated with print and media advertising, including promotional items purchased and public relations expenditures. Also include all expenditures for subscriptions to professional publications.

Line 4.6 – Boards, Bureaus, and Association Dues – Include dues and assessments for underwriting organizations, rating bureaus, statistical organizations, and claim organizations.

Line 4.7 – Surveys and Underwriting Reports – Include survey, credit, medical, motor vehicle, appraisal, maps, and hazard reports obtained for risk evaluation purposes. Also include loss prevention and engineering services obtained from outside contractors.

Line 4.8 – Employee Relations and Welfare – Include expenses incurred for employee benefits such as post-retirement benefits (medical plans for retirees), group health insurance, pension and profit-sharing contributions, employee training, group term life insurance, workers' compensation insurance premiums, and employee outings.

Line 4.9 – Insurance and Fidelity Bonds – Include insurance expense for fidelity and surety bonds on employees, public liability insurance, errors and omissions coverage for directors and officers, and insurance on insurer-owned automobiles, personal property, and business interruption coverages.

Line 4.10 – Travel and Travel Items – Include transportation, meals, lodging, and other costs of employees while traveling, and cost of favors and presents given to other than employees. Also include rent of automobiles, moving expenses, depreciation, and operating expenses of company automobiles, dues to social or civic clubs, and dues and subscriptions to accounting, legal, actuarial, or similar societies and associations.

Line 4.11 – Rent and Rent Items – Include home and branch office rental (including the occupancy charge for company-owned properties), light, heat, and water in leased premises, amortization of leasehold improvements, and office maintenance expenses for leased premises.

Line 4.12 – Equipment – Include depreciation on furniture, equipment, and office machines. Also include rent and repairs of furniture, equipment, and office machines used by the insurer.

Line 4.13 – Cost or Depreciation of EDP equipment and software – Include depreciation and amortization expense for EDP equipment and operating and non-operating systems software.

Relevant literature: SSAP No. 16R, EDP Equipment and Software.

Line 4.14 – Printing and Stationery – Include cost of office supplies, letterhead, envelopes, policy forms, etc. Also include books, newspapers, and periodicals including investment, tax, and legal publications and services.

Line 4.15 – Postage, Telephone, and Telegraph – Include all telephone, postage, freight, and mailing charges and bank charges for collection and exchange.

Line 4.16 – Legal and Auditing Fees – Include legal retainers, fees, and other legal expenses to outside counsel (except for legal expenses in connection with losses and salvage, which instead should be included on Line 3), auditing fees of independent CPAs, and transfer agent fees. Also

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include cost of services of tax experts, fees of investment counsel, registrar fees, custodian fees, trustees' fees, and notary fees.

Line 4.17 – Taxes, Licenses and Fees – State income and insurance premium taxes, licensing and examiner fees, and excise taxes are separated on Lines 4.17a through 4.17d on the Income Statement.

Line 4.17a – State and Local Insurance Taxes – Include premium taxes.

Line 4.17b – Insurance Department Licenses and Fees – Include agents' licensing fees, filing fees, and examination expenses of Insurance Departments or other governmental agencies.

Line 4.17c – All Other (Excluding Federal Income Tax and Real Estate) – Include any tax, license, or fee not described above for Line 4.17a or 4.17b. Also include gross insolvency assessments booked in the current year (pursuant to Tenn. Code Ann. § 56-22-111 when any other County Mutual insurer has been declared insolvent), if applicable.

Line 4.17d – Total Taxes, Licenses and Fees – Line 4.17d is the sum of Lines 4.17a through 4.17c.

Line 4.18 – Real Estate Expenses and Repairs – Include all expenses relating to the insurance, maintenance, and operation of insurer-owned real estate, excluding depreciation (which is reported on the Underwriting and Investment Exhibit-Part 1a (Page 5.1), Line 11, Column 8) and taxes (which are reported on Line 4.19).

Line 4.19 – Real Estate Taxes – Include taxes, licenses, and fees on insurer-owned real estate.

Line 4.20 – Aggregate Write-ins for Underwriting Expenses – Expenses not included elsewhere should be reported on this line. The insurer should itemize the individual components on Page 4.2 in the section titled "Details of Write-Ins" supporting Line 4.20. Items that might appear here include: charitable contributions, certain outside services, consulting, actuarial, and investment management fees not shown on Line 4.16, and miscellaneous expense items.

Line 4.21 – Total Underwriting Expenses Incurred – Line 4.21 is the sum of Lines 4.1 through 4.20.

Line 5 – Total Underwriting Deductions – Line 5 is the sum of Line 2 plus Line 3 plus Line 4.21.

Line 6 – Net Underwriting Gain or (Loss) – Line 6 is the total of Line 1 minus Line 5.

Line 7 – Net Investment Income Earned – This line should include the investment income earned during the year from all invested assets (i.e., interest, dividends, and rental income), reduced by investment-related expenses.

Crosscheck: the amount reported on this line should agree with Underwriting & Investment Exhibit-Part 1A (Page 5.1), Line 14, Column 8.

Line 8 – Net Realized Capital Gains or (Losses) from Sale or Maturity of Assets – Realized gains and losses primarily result from the sale or maturity of invested assets. The gain or loss on a transaction is the difference between the consideration received (adjusted for accrued interest or dividend income) from the transaction and the book value of the related asset at the transaction date.

Crosscheck: the amount reported on this line should agree with Underwriting & Investment Exhibit-Part 1B (Page 5.1), Line 9, Column 7.

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Line 9 – Net Investment Gain or (Loss) – Line 9 is the sum of Lines 7 and 8.

Line 10 – Finance and Service Charges not Included in Premiums – This line should include the amount of any finance and service charges that were charged to policyholders during the year, excluding amounts included in premiums written.

Line 11 – Aggregate Write-Ins for Miscellaneous Income – Miscellaneous income items not related to underwriting that are not included elsewhere should be reported on this line. The insurer should itemize the individual components on Page 4.2 in the section titled “Details of Write-Ins” supporting Line 11. Items that might appear here include: increase in cash value of life insurance or annuities, gain or loss on sale of equipment, gain or loss on retroactive reinsurance, and fines and penalties of regulatory authorities.

Line 12 – Total Other Income – Line 12 is the sum of Lines 10 and 11.

Line 13 – Dividends to Policyholders – This line should include the amount of dividends paid to the insurer’s policyholders (pursuant to Tenn. Code Ann. § 56-22-109(b)(3)).

Line 14 – Net Income Before Federal Income Taxes – Line 14 is the total of Line 6 plus Line 9 plus Line 12 minus Line 13.

Line 15 – Federal Income Taxes Incurred – This line should include the current year provision for federal income taxes and federal income taxes incurred or refunded during the year relating to prior periods.

Line 16 – Net Income – Line 16 is the total of Line 13 minus Line 14.

Policyholders’ Surplus Account

The Policyholders’ Surplus Account Reconciliation (Lines 17 through 23) provides a roll-forward of surplus from the prior year’s end to the current year’s end. All significant changes in surplus during the year are identified on the reconciliation.

Line 17 – Policyholder Surplus, December 31 of Previous Year – The ending policyholders’ surplus balance from the prior year should be reported on this line.

Crosscheck: the amount reported here on this line in Column 1 should agree with the prior year Policyholders’ Surplus reported on Page 3, Line 15, Column 2.

Line 18 – Net Income – The amount on this line should agree with the Net Income reported on Line 16 above.

Line 19 – Change in Net Unrealized Capital Gains or (Losses) – The change in net unrealized gains or (losses) is a direct adjustment to surplus. This amount is calculated on the Underwriting and Investment Exhibit-Part 1B on Page 5.1.

Crosscheck: the amount reported here on this line in Column 1 should agree with Underwriting and Investment Exhibit-Part 2B (Page 5.1), Line 10, Column 7.

Line 20 – Change in Non-Admitted Assets from Prior Year – The change in non-admitted assets from prior year is a direct adjustment to surplus. An increase in non-admitted assets will lower surplus while a decrease in non-admitted assets will increase surplus. The change in non-admitted assets is calculated as follows:

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Less: Total Assets Non-Admitted, prior year (*Page 2, Line 30, Column 2*)
Equals: Total Assets Non-Admitted, current year (*Page 2, Line 30, Column 1*)
Change in Non-Admitted Assets from Prior Year

A positive amount indicates a decrease in non-admitted assets, which would increase surplus. A negative amount indicates an increase in non-admitted assets, which would decrease surplus.

Line 21 – Cumulative Effect of Change in Accounting Principles – An accounting change is defined as a change in either an accounting principle or an accounting estimate. The correction of an error in previously issued financial statements is not deemed to be an accounting change. Corrections of errors should be reported in the Aggregate Write-Ins for Gains and Losses in Surplus on Line 22 below. Changes in accounting estimates should be included in the Statement of Income in the period when the change becomes known. A change in accounting principle results from the adoption of an accepted accounting principle, or method of applying the principle, which differs from the principles or methods previously used by the insurer for reporting purposes. An example would be a change in the valuation method of bonds or common stocks, (e.g., admitting bond investments at market value as opposed to book value). The cumulative effect of a change in accounting principles shall be reported as an adjustment to surplus in the period of the change in accounting principle. The cumulative effect is the difference between surplus at the beginning of the year and the amount of surplus that would have been reported at that date if the new accounting principle had been applied retroactively for all prior periods.

Line 22 – Aggregate Write-Ins for Gains and Losses in Surplus – Gains and losses in surplus not reported elsewhere should be reported on this line. The insurer should itemize the individual components on Page 4.2 in the section titled “Details of Write-Ins” supporting Line 22. Items that might be included here include adjustments in special surplus funds and adjustments in other than special surplus funds.

Line 23 – Policyholder Surplus as of Statement Date – Line 23 is the sum of Lines 17 through 22.

Crosscheck: the amount reported here on this line in Column 1 should agree with Page 3, Line 15, Column 1.

Underwriting and Investment Exhibit – Part 1A, Interest, Dividends, and Real Estate Income

Part 1A of the Underwriting and Investment Exhibit develops “Net Investment Income Earned” for the Statement of Income (Page 4.1, Line 7). Net investment income includes interest, dividends, and rental income. Investment income is summarized by type of investment (i.e., bonds, preferred stock, common stock, mortgage loans, real estate, and cash and cash equivalents).

Column 1 – Collected During Year – This column generally includes investment income received, adjusted for any accrued investment income purchased on investments acquired.

Line 1 – Bonds – Report the total bond interest collected as reported on Schedule D. Interest collected is equal to interest received on bonds owned at the end of the reporting year (Part 1) plus interest received on bonds sold or otherwise disposed during the reporting year (Part 4) less interest purchased on bonds acquired during the reporting year (Part 3).

Crosscheck: Schedule D-Part 1 (Owned), Page 14, Line 9999, Column 11.2.

Plus: Schedule D-Part 4 (Disposed), Page 18, Line 1999, Column 12.

Minus: Schedule D-Part 3 (Acquired), Page 17, Line 1999, Column 8.

Line 2 – Preferred Stock – Report the total dividend income collected as reported on Schedule D. Dividend income collected is equal to dividends received on preferred stocks owned at the end of the reporting year (Part 2-Section 1) plus dividends received on preferred stocks sold or otherwise disposed during the reporting year (Part 4) less dividends purchased on preferred stocks acquired during the reporting year (Part 3).

Crosscheck: Schedule D-Part 2-Section 1 (Owned), Page 15, Line 9999, Column 11.2.

Plus: Schedule D-Part 4 (Disposed), Page 18, Line 2999, Column 12.

Minus: Schedule D-Part 3 (Acquired), Page 17, Line 2999, Column 8.

Line 3 – Common Stock – Report the total dividend income collected as reported on Schedule D. Dividend income collected is equal to dividends received on common stocks owned at the end of the reporting year (Part 2-Section 2) plus dividends received on common stocks sold or otherwise disposed during the reporting year (Part 4) less dividends purchased on common stocks acquired during the reporting year (Part 3).

Crosscheck: Schedule D-Part 2-Section 2 (Owned), Page 16, Line 9999, Column 8.2.

Plus: Schedule D-Part 4 (Disposed), Page 18, Line 3999, Column 12.

Minus: Schedule D-Part 3 (Acquired), Page 17, Line 3999, Column 8.

Line 4 – Mortgage Loans – Schedule B does not report interest collected on mortgage loans during the year. This information must be taken from the insurer’s general ledger and reported in Column 1 for this line.

Line 5 – Real Estate – Report the total rental income collected on real estate as reported on Schedule A. Insurers that own real estate utilized in their insurance operations (referred to as “home office” real estate or properties occupied by the company) must charge themselves rent expense on the space that they both own and occupy, and also record an equivalent amount of rental income. This “home office occupancy charge” is included in investment income in this total. The offsetting charge is included as an operating expense in the Statement of Income on Line 4.11. Real Estate Income is equal to gross income less interest incurred on encumbrances on all real estate owned at year’s end plus gross income less interest incurred on encumbrances on all real estate sold during the year.

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*Crosscheck: Schedule A-Part 1 (Owned), Page 9, Line 9999, Column 13.
Plus: Schedule A-Part 3 (Sold), Page 11, Line 0199, Column 12.*

Line 6 – Cash and Cash Equivalents – Interest collected from cash on deposit, certificates of deposit, and cash equivalents are reported on Line 6.

Crosscheck: the amount reported on this line should agree with Schedule E, Page 20, Line 9999, Column 3.

Line 7 – Aggregate Write-ins for Investment Income – Investment income not classified elsewhere is reported on this line. The insurer should itemize the individual components at the top of Page 5.2 in the section labeled “Details of Write-Ins” supporting Line 7.

Line 8 – Totals (Lines 1 to 7) – Line 8 represents the total gross investment income earned and is the sum of Lines 1 through 7, Column 1.

Column 2 – Paid in Advance, Current Year – Enter the unearned portion of any investment income that has been received as of December 31 of the current year. Examples include rental income received in advance and, possibly, interest income received in advance on mortgage loans. The cash received should be recorded as a liability until the income is earned. This liability should be reported as an “Aggregate write-in” liability on Page 3, Line 13. Few insurers will have entries in this column.

Column 3 – Paid in Advance, Prior Year – This column represents investment income received in the prior year, considered to be earned in the current year. Few insurers will have entries in this column.

Column 4 – Due and Accrued, Current Year – This column should reflect the amount of investment income which has been earned but not received as of December 31 of the current year. The total amount on Line 8 should equal the amount reported on Page 2, Line 11. Note that this column includes only the admitted portion of investment income due and accrued. Non-admitted amounts (i.e., interest due on bonds in default or accrued interest on non-admitted assets) are excluded from the determination of net investment income.

Crosscheck:

Line 1-Bonds: should agree with Schedule D-Part 1, (Page 14), Line 9999, Column 11.1.

Line 2-Preferred Stock: should agree with Schedule D-Part 2-Section 1 (Page 15), Line 9999, Column 11.1.

Line 3-Common Stock: should agree with Schedule D-Part 2-Section 2 (Page 16), Line 9999, Column 8.1.

Line 8-Totals: should agree with Assets (Page 2), Line 11, Column 1.

Column 5 – Due and Accrued, Prior Year – This column reflects investment income earned in the prior year, which has been received in the current year.

Crosscheck: Line 8-Totals: should agree with Assets (Page 2), Line 11, Column 2.

Column 6 – Accrual of Discount During the Year – Report the non-cash transactions for accrual of discount for the year recorded in the insurer’s general ledger.

Column 7 – Amortization of Premium During the Year – Report the non-cash transactions for amortization of premium for the year recorded in the insurer’s general ledger.

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Column 8 – Earned During Year – Compute the gross investment income earned by type of investment (Lines 1 through 7) as indicated in the column heading (Columns 1 + 3 + 4 + 6 – 2 – 5 – 7).

Line 8 – Totals – Line 8 represents the total gross investment income earned and is the sum of Lines 1 through 7.

Subtractions in Deriving Net Investment Income

Line 9 – Total Investment Expenses Incurred – Enter on this line the sum of all expenses relating to the investment of funds and the accounting for invested assets. Examples include portfolio management fees, custodial expenses, investment consultants, investment publications, newsletters, and other direct expenses. Investment expenses also include internal expenses such as salaries, fringe benefits, occupancy costs, utilities, data processing expenses, and telephone expenses, which are associated with investment-related activities such as the investment department or the investment accounting function.

Line 10 – Interest Expense – Enter on this line the total interest expense recorded by the insurer during the year, excluding any interest expense on real estate encumbrances. Examples would include interest on borrowed money, surplus notes, or capital notes.

Line 11 – Depreciation on Real Estate – Enter the depreciation expense recorded on the insurer's books during the year for home office and investment real estate. The amount should reconcile to reported amounts on Schedule A.

*Crosscheck: Schedule A-Part 1 (Owned), Page 9, Line 9999, Column 10
Plus: Schedule A-Part 3 (Sold), Page 11, Line 0199, Column 7.*

Line 12 – Aggregate Write-ins for Deductions from Investment Income – Deductions from investment income not classified elsewhere are reported on this line. The insurer should itemize the individual components at the top of Page 5.2 in the section labeled "Details of Write-Ins" supporting Line 12. Examples of items that might be included on this line are bank service charges and investment management fees.

Line 13 – Total Deductions – Line 13 is the sum of Lines 9 through 12.

Line 14 – Net Investment Income Earned – Line 14 is the total of Line 8 minus Line 13.

Crosscheck: the amount reported on this line should agree with Statement of Income (Page 4.1), Line 7, Column 1.

Underwriting and Investment Exhibit – Part 1B, Capital Gains and (Losses) on Investments

Part 1B summarizes the realized capital gains and (losses) from disposals of investments and the unrealized capital gains and (losses) on its current investment portfolio. Realized gains (losses) increase (decrease) net income while unrealized gains (losses) are a direct increase (decrease) in policyholders' surplus. Realized gains and (losses) result from specific transactions such as sales of investments in common stock or bonds. Changes in unrealized gains and (losses) may result from differences between book value (amount recorded in the insurer's general ledger) and statement value (amount admitted on the Annual Statement).

Column 1 – Realized Profit or (Loss) on Sales or Maturity – For all capital transactions occurring during the year, the profit or loss is measured by the difference between the proceeds received on sale (excluding amounts attributable to interest or dividends) and the book value at date of sale.

Line 1 – Bonds – Realized profit or (loss) on bond disposals included on Schedule D-Part 4 should be reported on this line.

Crosscheck: the amount reported on this line should agree with Schedule D-Part 4 (Page 18), Line 1999, Column 11.

Line 2 – Preferred Stock – Realized profit or (loss) on preferred stock disposals included on Schedule D-Part 4 should be reported on this line.

Crosscheck: the amount reported on this line should agree with Schedule D-Part 4 (Page 18), Line 2999, Column 11.

Line 3 – Common Stock – Realized profit or (loss) on common stock disposals included on Schedule D-Part 4 should be reported on this line.

Crosscheck: the amount reported on this line should agree with Schedule D-Part 4, (Page 18), Line 3999, Column 11.

Line 4 – Mortgage Loans – Realized profit or (loss) on mortgage loans sold, transferred, or paid in full included on Schedule B-Part 2 should be reported on this line. Any prepayment penalties (also called acceleration fees) received on the prepayment of mortgage loans should also be included on this line.

Crosscheck: the amount reported on this line should agree with Schedule B-Part 2 (Page 13), Line 9999, Column 10.

Line 5 – Real Estate – Realized profit or (loss) on real estate sold included on Schedule A-Part 3 should be reported on this line.

Crosscheck: the amount reported on this line should agree with Schedule A-Part 3 (Page 1)1, Line 0199, Column 11.

Line 6 – Cash and Cash Equivalents – Any realized profit or (loss) on transactions involving cash and cash equivalents should be reported on this line.

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Line 7 – Aggregate Write-ins for Capital Gains and (Losses) – Realized profit or (loss) on investment sales or maturities not reported elsewhere should be reported on this line. The insurer should itemize the individual components of this line at the bottom of Page 5.2 in the section labeled “Details of Write-Ins” for Line 7.

Crosscheck: the amount reported on this line should agree with Details of Write-Ins for Underwriting Exhibit-Part 1B (Page 5.2), Line 0799, Column 1.

Column 2 – Increase or (Decrease) by Adjustments in Book Value – Entries in these columns are rare. As a general rule, this column includes any non-cash adjustments to the book values of invested assets not reflected in the Statement of Income. Examples include the write-off of investments deemed worthless and the write-off of investments due to permanent impairment.

Columns 3 through 6 are used to calculate the difference between book value and market value (or unrealized gain or (loss)) on investments in bonds, preferred stocks, and common stocks as of the end of the reporting year.

Column 3 – Book Value, Current Year (Schedule D) – The total book value of the insurer’s investments in bonds, preferred stock, and common stock as of the end of the year (as reported in Schedule D) should be reported on the applicable lines in this column.

Crosscheck:

Line 1-Bonds: should agree with Schedule D-Part 1, (Page 14), Line 9999, Column 6.

Line 2-Preferred Stocks: should agree with Schedule D-Part 2-Section 1 (Page 15), Line 9999, Column 5.

Line 3-Common Stocks: should agree with Schedule D-Part 2-Section 2 (Page 16), Line 9999, Column 4.

Column 4 – Market Value, Current Year (Schedule D) – The total market value of the insurer’s investments in bonds, preferred stock, and common stock as of the end of the year (as reported in Schedule D) should be reported on the applicable lines in this column.

Crosscheck:

Line 1-Bonds: should agree with Schedule D-Part 1 (Page 14), Line 9999, Column 9.

Line 2-Preferred Stocks: should agree with Schedule D-Part 2-Section 1 (Page 15), Line 9999, Column 9.

Line 3-Common Stocks: should agree with Schedule D-Part 2-Section 2 (Page 16), Line 9999, Column 6.

Column 5 – Cumulative Unrealized Gain or (Loss), Current Year – Column 5 is the total of Column 4 minus Column 3 for each line.

Column 6 – Cumulative Unrealized Gain or (Loss), Prior Year – The total cumulative unrealized gain or (loss) from the prior year for bonds, preferred stocks, and common stocks should be reported on the applicable lines in this column.

Line 8 – Totals – Line 8 is the sum of Lines 1 through 7 for each of the Columns (1 through 6).

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Line 9 – Net Realized Capital Gains or (Losses) – Line 9 is the sum of Line 8, Columns 1 and 2. The amount should agree with net realized capital gains or (losses) from sale or maturity of assets reported on the Statement of Income. Realized capital gains or (loses) have a direct impact on net income.

Crosscheck: the amount reported on this line should agree with Statement of Income (Page 4.1), Line 8, Column 1.

Line 10 – Net Change in Unrealized Capital Gains or (Losses) – Line 10 is the total of Line 8, Column 5 minus Column 6. The net change in unrealized capital gains or (losses) does not run through income. Rather, it is a direct adjustment to surplus.

Crosscheck: the amount reported on this line should agree with Statement of Income (Page 4.1), Line 19, Column 1.

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Underwriting and Investment Exhibit – Part 2A, Net Premiums Earned

Part 2A of the Underwriting and Investment Exhibit summarizes the insurer's written and earned premiums. Part 2A calculates the net premiums earned during the year, which is reported on the Statement of Income Page 4.1, Line 1.

Column 1 – Total Gross Premium Less Return Premiums – Include the gross premiums booked, adjusted for additional or return premiums on the insurer's policies.

Crosscheck: the amount reported in this column should agree with the total in Schedule T (Page 7.3), Line 96, Column 2.

Column 2 – Reinsurance Assumed – Enter the amount of any gross premiums received for reinsurance assumed from other insurer(s) during the current year. (Most County Mutual insurers will not have any reinsurance assumed business.)

Relevant literature: SSAP No. 62R, Property and Casualty Reinsurance.

Column 3 – Reinsurance Ceded – Enter the amount of gross premiums paid for reinsurance ceded to the reinsurer(s) during the current year.

Relevant literature: SSAP No. 62R, Property and Casualty Reinsurance.

Column 4 – Net Premiums Written – Column 4 represents the insurer's net premiums written and is the total of Column 1, plus Column 2, minus Column 3.

Column 5 – Unearned Premiums, December 31, Prior Year: Enter the unearned premium reserve as reported in the prior year Annual Statement.

Crosscheck: the amount reported in this column should agree with Liabilities & Policyholder Surplus (Page 3), Line 3, Column 2.

Column 6 – Unearned Premiums, December 31, Current Year – Statutory accounting generally requires that the entire fixed and determinable premium for a policy be recognized as written at the policy inception date. The written premium is then earned (usually on a pro-rata basis) over the coverage period. Unearned premiums on policies in force represent the amount of premiums written associated with the unexpired term of the policies. Pro-rata methods include daily pro-rata and monthly pro-rata.

Daily Pro-rata:

The daily pro-rata method is calculated on a policy-by-policy basis as follows:

$$\text{Unearned premiums} = \text{Premiums written} \times \frac{\text{Days until expiration}}{\text{Days in term}}$$

Monthly Pro-rata

The monthly pro-rata method is calculated for a block of policies as follows:

$$\text{Unearned premiums} = \text{Premiums written} \times \frac{\text{Months until expiration}}{\text{Months in term}}$$

Policies are grouped into blocks of policies based on the following criteria:

- Lines of business
- Length of term
- Month of expiration

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The total unearned premium reserve at the end of the current year should be reported in this column.

Crosscheck: the amount reported in this column should agree with Liabilities & Policyholder Surplus (Page 3), Line 3, Column 1.

Column 7 – Net Premiums Earned During the Year – Column 7 represents the insurer's net premiums earned and is the total of Column 4, plus Column 5, less Column 6.

Crosscheck: the amount in this column should agree with Statement of Income (Page 4.1), Line 1, Column 1.

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Underwriting and Investment Exhibit – Part 2B, Net Losses Incurred

Part 2B of the Underwriting and Investment Exhibit develops the losses incurred for Line 2 on the Statement of Income, Page 4.1. This schedule summarizes the insurer's current year claims activity. The claims activity includes loss payments (net of proceeds from salvage and subrogation), reinsurance recoveries, and changes in net unpaid losses.

Column 1 – Direct Losses Paid Less Salvage and Subrogation Received During the Year – Enter the amount of losses paid, net of salvage and subrogation received, on direct business.

Column 2 – Reinsurance Recovered on Paid Losses – Enter the amount of recoveries from reinsurers that were received during the year.

Column 3 – Reinsurance Recoverable on Paid Losses – Enter the amount of reinsurance recoverable from the reinsurer(s) on losses already paid by the insurer.

Crosscheck: the amount reported in this column should agree with Assets (Page 2), Line 9.

Column 4 – Net Losses Paid – Column 4 represents the insurer's net paid losses and is the total of Column 1, *minus* Column 2, *minus* Column 3.

Column 5 – Net Losses Unpaid, December 31, Current Year – Enter the estimated total liability for unpaid losses (both reported claims and incurred but not reported claims) for all coverage types as of the end of the current year.

Crosscheck: the amount reported in this column should agree with Liabilities & Policyholders Surplus (Page 3), Line 1.4, Column 1.

Column 6 – Net Losses Unpaid, December 31, Prior Year – Enter the estimated total liability for unpaid losses (both reported claims and incurred, but not reported claims) as of the end of the prior year as reported on the prior year Annual Statement.

Crosscheck: the amount reported in this column should agree with Liabilities & Policyholders Surplus (Page 3), Line 1.4, Column 2.

Column 7 – Losses Incurred During the Year – Column 7 represents incurred losses for the year and is the total of Column 4, *plus* Column 5, *minus* Column 6.

Crosscheck: the amount reported in this column should agree with Statement of Income (Page 4.1), Line 2, Column 1.

Column 8 – Number of Reported Claims – This column should identify the total number of reported claims (closed, pending, and open) during the reporting period for all coverage types.

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General Interrogatories

Many of the General Interrogatories are self-explanatory and are not discussed here. Comments on specific General Interrogatories requiring further commentary follow.

Interrogatory 5 – Insurance In-force and Policy Count – This interrogatory summarizes the insurer’s insurance in-force (both before and after reinsurance) and the current year activity showing the in-force amount of insurance written and the in-force amount of insurance expired or canceled during the year.

Column 1 – Gross Amount In-force, December 31 Prior Year – Report the gross amount in force on December 31 of the prior year. The amount should agree with the gross amount in force reported on the prior year Annual Statement.

Column 2 – Written or Renewed – This amount should include the in-force coverage amount for all new business written during the year and the in-force coverage amount of policies renewed during the year.

Column 3 – Expirations or Cancellations – This amount should include the insurance coverage amount for all policy expirations and cancellations during the year.

Column 4 – Gross In-force, December 31 Current Year – The amount in this column is the total of Column 1 *plus* Column 2 *less* Column 3. This amount represents insurance in-force before reinsurance at the end of the reporting year.

Column 5 – Amount Reinsured – This amount should include the in-force coverage amount ceded to a reinsurer.

Column 6 – Net In-force, December 31 Current Year – The balance in this column is the total of Column 4 *less* Column 5. This amount represents the insurance in-force after reinsurance at the end of the reporting year. This Net In-Force amount is used to calculate the amount of aggregate excess of loss reinsurance coverage required, pursuant to Tenn. Code Ann. § 56-22-110.

Column 7 – Policy Count – Report in this column the number of the insurer’s in-force policies at the end of the year.

Column 8 – Having not more than 1 year to run – Report in this column the number of in-force policies at the end of the year that have terms of 12 months or less.

Column 9 – Having more than 1 year to run and not more than 3 years to run – Report in this column the number of in-force policies that have terms of greater than 12 months but less than 36 months.

Column 10 - Having more than 3 years to run – Report in this column the number of in-force policies that have terms of greater than 36 months.

Crosscheck: the sum of Columns 8 + 9 + 10 should equal Column 7.

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Interrogatory 6 – Report the number of the insurer’s policyholders as of the end of the current year. The number of policyholders may be different from the number of policies reported in Column 7 of Interrogatory 5. One policyholder may have multiple policies (e.g., one policy for the house and another policy for the barn).

Interrogatory 9 – Largest gross aggregate amount insured in any one risk without any deduction for reinsurance – Report the largest in-force coverage amount of a single insurance risk in the current year (before consideration of any reinsurance coverage).

Interrogatory 10(a) – Largest retained amount of risk on any single risk – Report the largest in-force coverage amount of a single insurance policy in the current year (after consideration of any reinsurance coverage). For example, an insurer has a reinsurance contract that allows the insurer to cede to its reinsurer all risks over \$40,000 (in other words, the insurer’s net retention was \$40,000). If the insurer’s largest policy has a coverage amount of \$60,000, the largest retained amount of risk on any single risk would be \$40,000. This is because the insurer’s retained \$40,000 on the risk and ceded \$20,000 to its reinsurer per the reinsurance contract.

Interrogatory 11 – What is the amount of the aggregate excess of loss coverage per the reinsurance policy? – This is the amount of the total aggregate excess of loss coverage amount per the insurer’s aggregate excess of loss reinsurance agreement. The answer should be the total amount of aggregate excess of loss coverage for all the insurer’s excess layers. For example, if the insurer’s first layer of aggregate excess of loss reinsurance covers losses up to \$100,000, excess of a \$25,000 retention and the insurer’s second layer of aggregate excess of loss reinsurance covers losses up to \$150,000, excess of a \$100,000 retention in excess of \$100,000, the insurer should report an aggregate excess of loss coverage of \$125,000 (sum of \$75,000 from the first layer and \$50,000 from the second layer).

Generally this information may be found in the “**Coverage and Limits**” section of the reinsurance contract under the discussion of “**Aggregate Excess of Loss**”, which usually contains a phrase such as, “...the Reinsurers’ liability shall not exceed 100% of the lesser of XX% of the Company’s gross assessment and/or premium income or \$YY,YYY...”. Since the reinsurer’s liability is calculated as the lesser of the two amounts, a comparison of the two amounts must be performed and the lesser amount must be chosen as the aggregate excess of loss reinsurance amount of that layer. Please note that there might be some difference in the calculation for each insurer depending on the contract terms.

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Schedule T – Exhibit of Premiums Written

Column 1 – Active Status – Report “L” for each county in which the insurer is authorized to write insurance business (whether or not the insurer actually wrote any business in the county). Report “N” for all other counties.

Column 2 – Direct Premiums Written – List the amount of premiums written in each of the counties where the insurer did business during the year.

Crosscheck: the amount reported on Line 96, Column 2 should agree with Underwriting & Investment Exhibit – Part 2A (Page 6), Column 1.

Five-Year Historical Data

This exhibit summarizes key financial information from the insurer's Annual Statement over a five-year period. The information needed to complete this page comes from the current and prior year Annual Statements. Consequently, Column 1 should be prepared after the rest of the current year Annual Statement is completed. The remaining columns can be brought forward from the prior year Annual Statement.

2023 Annual Statement Instructions for Tennessee County Mutual Insurers

Schedule A – Part 1, Real Estate Owned

Schedule A – Part 1 provides an inventory of all real estate owned as of December 31 of the current year. The information included in Schedule A – Part 1 provides supporting detail for the admitted value of real estate reported in the statutory balance sheet (Assets, Page 2) and the real estate income reported in the investment income exhibit (Underwriting & Investment Exhibit–Part 1A, Page 5.1). The schedule also distinguishes between Property Occupied by the Company and Investment Real Estate (i.e., properties held for the production of income). In order to qualify as Property Occupied by the Company, the real estate must be owned by, and more than 50% occupied by, the insurer and its affiliates. The 50% rule is based on square footage including common areas. If this criterion is not met, the property must be reported as Investment Real Estate.

Column 1 – Description of Property – Include a general description of the property in this column. The functional use of the property (office, warehouse, shopping center, land, etc.) should also be included in the description.

Column 2 & 3 – Location – City and State – If the property is located within the United States, list the city and state. If the city is unknown, report the county in Column 2.

Column 4 – Year Acquired – Include the original acquisition date for each property listed.

Column 5 – Year of Last Appraisal – Include the date of the most recent appraisal on which the market value reported in Column 9 is based.

Column 6 – Actual Cost – Include the original cost of acquiring title plus the cost of any capitalized improvements since the date of acquisition (including current year expenditures). If the property was acquired through foreclosure, include amounts transferred from the mortgage loan *plus* amounts expended for taxes, insurance, and any other amounts paid to put the property in good repair to obtain clear title.

Column 7 – Amount of Encumbrances – Enter the amount of any outstanding debt (excluding accrued interest expense payable) at December 31 of the current year that is applicable to each parcel of real estate.

Column 8 – Book Value Less Encumbrances – The book value represents the admitted value for each property. Book value is the actual cost of the property *plus* capitalized improvements *less* depreciation, *less* encumbrances.

Crosscheck: the amount reported in this column for Line 0199 should agree with Assets (Page 2), Line 4.1 and the amount reported in this column for Line 0299 should agree with Assets (Page 2), Line 4.2.

Column 9 – Market Value Less Encumbrances – Report the market value of the property, *less* encumbrances (reported in Column 7).

Column 10 – Increase or (Decrease) by Adjustment in Book Value – Include other non-cash adjustments in book value, including depreciation expense. Also include impairments and any other expenses capitalized.

Column 11 – Amounts Received During Year – Include any amounts received during the year that would reduce the book value of the property. Examples would include any amounts received during the year from the sale of rights and privileges relating to the property, amounts from real estate sales where title has not transferred (except those received in the year of disposal), and other cash receipts

2023 Annual Statement Instructions for Tennessee County Mutual Insurers

that reduce the book value. (Most County Mutual insurers will not have any amounts reported in this column.)

Column 12 – Expended for Additions, Permanent Improvements, and Changes in Encumbrances During Year – Include only those amounts expended for capital improvements during the current year. Also include any increase or reduction in encumbrances during the year.

Column 13 – Gross Income Earned Less Interest Incurred on Encumbrances – Include gross income earned during the year on property held at year end, including rental income earned on Property Occupied by the Company and on Investment Real Estate. Insurers are required to charge themselves an imputed rent for the estimated fair rental value of space owned and occupied by the insurer (known as home office occupancy charge). The gross income earned should be included on the Underwriting & Investment Exhibit-Part 1A, Page 5.1. The income will be offset with an equal imputed rent expense amount included on the Statement of Income, Page 4.1, Line 4.11.

Column 14 – Taxes, Repairs and Expenses Incurred – Include amounts paid or accrued for real estate taxes, repairs, maintenance, insurance, and other related expenses. This column should not include depreciation expense (which is included in Column 10) or interest expense incurred on encumbrances (which is included in Column 13).

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Schedule A – Part 2, Real Estate Acquired During Year

Schedule A – Part 2 reports all real estate acquired during the year. In addition, it reports any current year capital improvements or encumbrance activity relating to properties acquired during the year. Any property appearing on Schedule A – Part 1 for the first time should also be reported here. Any real estate bought and sold during the current year should be reported on Schedule A – Part 2 and Schedule A – Part 3.

Column 1 – Description of Property – Include a general description of the property in this column. The functional use of the property (office, warehouse, shopping center, land, etc.) should also be included in the description.

Column 2 & 3 – Location – City and State – If the property is located within the United States, list the city and state. If the city is unknown, report the county in Column 2.

Column 4 – Date Acquired – Include the acquisition date for each property listed.

Column 5 – Name of Vendor – Indicate the name of the entity from which the property was acquired. For internal transfers, state “Internal Transfer” instead of the entity’s name. An example of an internal transfer would be moving a mortgage loan investment to real estate.

Column 6 – Actual Cost - Include the original cost of acquiring title *plus* the cost of any capitalized improvements since the date of acquisition (including current year expenditures). If the property was acquired through foreclosure, include amounts transferred from the mortgage loan *plus* amounts expended for taxes, insurance, and any other amounts paid to put the property in good repair or to obtain clear title.

Column 7 – Amount of Encumbrances - Enter the amount of any outstanding debt (excluding accrued interest expense payable) at December 31 of the current year that is applicable to each parcel of real estate. If an encumbrance was reduced during the year, the amount of the reduction would be reported in Column 9.

Column 8 – Book Value Less Encumbrances – The book value represents the admitted value for each property. Book value is the actual cost of the property *plus* capitalized improvements, *less* depreciation, *less* encumbrances.

Column 9 – Expended for Additions, Permanent Improvements, and Changes in Encumbrances During Year – Include only those amounts expended for capital improvements during the current year. Also include any increase or reduction in encumbrances.

NOTE: All items on this schedule should tie back to Schedule A – Part 1 for each related column. If the property was acquired and sold during the year, then the items on this schedule should tie back to Schedule A – Part 3.

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Schedule A – Part 3, Real Estate Sold During Year

Schedule A – Part 3 reports all real estate sold during the year. In addition, it reports the gain or loss on each transaction. Any real estate both bought and sold during the current year should be reported on Schedule A – Part 2 and Schedule A – Part 3.

Column 1 – Description of Property – Include a general description of the property in this column. The functional use of the property (office, warehouse, shopping center, land, etc.) should also be included in the description.

Column 2 & 3 – Location – City and State – If the property is located within the United States, list the city and state. If the city is unknown, report the county in Column 2.

Column 4 – Disposal Date – Include the date the real estate was sold or disposed of for each property listed.

Column 5 – Name of Purchaser – Indicate the name of the person (individual or entity) to which the property was sold. For internal transfers, state “Internal Transfer” in this column.

Column 6 – Actual Cost – Include the original cost of acquiring title plus the cost of any capitalized improvements since the date of acquisition (including current year expenditures). If the property was acquired through foreclosure, include amounts transferred from the mortgage loan plus amounts expended for taxes, insurance, and any other amounts paid to put the property in good repair or to obtain clear title.

Column 7 – Increase or (Decrease) by Adjustment in Book Value - Include other non-cash adjustments in book value, including depreciation expense. Also include impairments and any other expenses capitalized.

Column 8 – Expended for Additions, Permanent Improvements and Changes in Encumbrances During Year – Include only those amounts expended for capital improvements during the current year (after acquiring title). Also include any increase or reduction in encumbrances.

Column 9 – Book Value Less Encumbrances – The book value represents the admitted value for each property. Book value is the actual cost of the property *plus* capitalized improvements, *less* depreciation, *less* encumbrances (Columns 6 + 7 + 8).

Column 10 – Amounts Received – Include the sale proceeds from the sale or disposal, *less* any proceeds used to retire related encumbrances.

Column 11 – Realized Profit or (Loss) on Sale – Enter the excess (deficiency) of the sales proceeds from Column 10 over the book value *less* encumbrances from Column 9.

Crosscheck: the total amount reported on Line 0199 for this column should equal the Underwriting and Investment Exhibit-Part 1B (Page 5.1), Line 5, Column 1.

Column 12 – Gross Income Earned Less Interest Incurred on Encumbrances – Report the gross rental income earned on the property during the year. Home office occupancy charges on property disposed during the year should also be included.

Column 13 – Taxes, Repairs and Expenses Incurred – Include amounts expensed and/or accrued for real estate taxes, repairs, maintenance, insurance, and other related expenses in the current year.

2023 Annual Statement Instructions for Tennessee County Mutual Insurers

This column should *not* include depreciation expense (which is included in Column 7) or interest expense incurred on encumbrances (which is included in Column 12).

Schedule A-Verification Between Years

This schedule reconciles the current year-end book value to the year-end book value of the prior year. The reconciliation brings forward totals from Schedule A – Parts 1, 2, and 3 and assures that all current year activity affecting book value is accounted for in the Annual Statement.

Line 1 – Book Value, December 31, Prior Year – The amount from Page 2, Lines 4.1 plus 4.2, Column 2, should be reported on this line.

Line 2 – Increase (Decrease) by Adjustment – The amount reported on this line should be the total of the amount from Schedule A – Part 1, Column 10, Line 9999 plus the amount from Schedule A – Part 3, Column 7, Line 0199.

Line 3 – Cost of Acquired (Net of Encumbrances, Additions, and Permanent Improvements) – Report the original cost of acquisitions less the original balance of any encumbrances related to the current year acquisitions. The amount on this line should equal:

Schedule A – Part 2, Line 0199, Column 6,
Less: Schedule A – Part 2, Line 0199, Column 7,
Less: Schedule A – Part 2, Line 0199, Column 9.

Line 4 – Cost of Additions and Permanent Improvements – The amount reported on this line should be the amount from Schedule A – Part 1, Column 12, Line 9999 plus the amount from Schedule A – Part 3, Column 8, Line 0199.

Line 5 – Total Profit (Loss) on Sales – The amount from Schedule A – Part 3, Column 11, Line 0199 should be reported on this line. This should also agree with Page 5.1, Part 1B, Column 1, Line 5.

Line 6 – Amounts Received on Sales – The amount from Schedule A – Part 3, Column 10, Line 0199 should be reported on this line.

Line 7 – Book Value, December 31, Current Year – The amount reported on this line should be the total of Line 1, *plus/minus* Line 2, *plus* Line 3, *plus* Line 4, *plus* Line 5, *minus* Line 6. This amount should agree with Schedule A – Part 1, Column 8, Line 9999 and Assets – Page 2, Line 4.1 and 4.2.

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Schedule B – Part 1, Mortgage Loans Owned

Schedule B – Part 1 provides an inventory of all mortgage loans owned as of December 31 of the current year. Mortgage loans are loans made by or purchased by the insurer which are secured by liens on real estate. Schedule B – Part 1 contains both long-term and short-term mortgage loans.

Column 1 – Loan Number – Indicate the mortgage loan number assigned by the insurer for control purposes.

Column 2 & 3 – Location – City and State – If the property is located within the United States, list the city and state where the mortgage is recorded. If the city is unknown, report the county in Column 2.

Column 4 – Loan Type – This column is used to highlight mortgage loans granted to related parties. If the mortgage loan was made to an officer or director of the insurer, enter “E.” Otherwise, leave the column blank.

Column 5 – Date Acquired – Enter the date the mortgage loan was acquired (either issued or purchased).

Column 6 – Rate of Interest – Report the effective annual interest rate earned on the mortgage loan.

Column 7 – Book Value – Report the ending book value for each mortgage loan. The book value will equal the unpaid balance of the loan. Note that this column may not equal the statement value. The statement value may be lower than the book value because the market value of the collateral is less than the unpaid balance of the loan. Also, mortgage loans with other than first liens are included in the total computation of book value but are non-admitted (not included in the total computation of statement value).

Crosscheck: the amount reported in this column on Line 9999 should agree with Assets (Page 2), Lines 3.1 plus 3.2.

Column 8 – Increase or (Decrease) by Adjustment in Book Value – This column may contain several types of adjustments. Examples include any write-ups or capitalized items to the book value, any impaired mortgage loan amount written down during the year, current year amortization of premium or accrual of discount, amortization of fee income, and any other increase or decrease affecting book value. (Most County Mutual insurers will not have any amounts reported in this column.)

Column 9 – Value of Land and Buildings – Include the most recent appraised value of the property (land and buildings) pledged as collateral in the mortgage loan agreement.

Column 10 – Year of Last Appraisal or Valuation – Indicate the date of the most recent appraisal of the property.

Column 11 – Statement Value – This represents the admitted value for each loan. The admitted value of each loan is normally the unpaid balance of the loan (book value) reported in Column 7. However, if the loan is in default, the statement value will equal the lesser of the fair value of the collateral (reported in Column 9) or unpaid balance of the loan adjusted for unamortized amounts (book value). For mortgage loans other than first liens, the statement value should be zero since they are non-admitted assets.

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Crosscheck: the amount reported in this column on Line 9999 should equal Assets – Page 2 – Line 3.1 plus Line 3.2 minus Line 26 minus Line 27.

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Schedule B – Part 2, Mortgage Loans Sold, Transferred, or Paid in Full During Year

Schedule B – Part 2 reports all mortgage loans sold, transferred, or paid in full during the year.

Column 1 – Loan Number – Indicate the mortgage loan number assigned by the insurer for control purposes.

Column 2 & 3 – Location – City and State – If the property is located within the United States, list the city and state where the mortgage is recorded. If the city is unknown, report the county in Column 2.

Column 4 – Loan Type – This column is used to highlight mortgage loans granted to related parties. If the mortgage loan was made to an officer or director of the insurer, enter “E.” Otherwise, leave the column blank.

Column 5 – Year Acquired – Enter the date the mortgage loan was originally acquired (either issued or purchased).

Column 6 – Book Value Previous Year – Report the book value of the mortgage loan as of the end of the prior year. This amount should equal Schedule B – Part 1, Column 7 of the prior year Annual Statement.

Column 7 – Increase or (Decrease) by Adjustment in Book Value – This column may contain several types of adjustments. Examples include any write-ups or capitalized items to the book value, any impaired mortgage loan amount written down during the year, current year amortization of premium or accrual of discount, amortization of fee income, and any other increase or decrease affecting book value. (Most County Mutual insurers will not have any amounts reported in this column.)

Column 8 – Book Value at Disposition – Report the book value of the mortgage loan as of the date of sale or transfer.

Column 9 – Consideration Received – Report the total amount received during the year from the sale of a mortgage.

Column 10 – Profit or (Loss) on Sale – Report any market gain or loss realized from the sale, transfer, or maturity of the mortgage.

Crosscheck: the total amount reported on Line 9999 for this column should equal the Underwriting and Investment Exhibit-Part 1B (Page 5.1), Line 4, Column 1.

Schedule B – Verification Between Years

This schedule reconciles the current year-end book value to the year-end book value of the prior year. The reconciliation brings forward totals from Schedule B – Parts 1 and 2 and ensures that all current year activity affecting book value is accounted for in the Annual Statement. However, Schedule B does not have a schedule of acquisitions. Therefore, the acquisitions lines of the Verification Between Years cannot be obtained from any other part of the Annual Statement.

Line 1 – Book Value, December 31, Prior Year – The amount from Assets, Page 2, Line 3.1 and 3.2, Column 2, should be reported on this line.

Line 2 – Amount Loaned During Year –

- a.) Actual cost at time of acquisition – The actual amount originally loaned should be reported here, including capitalized costs incurred acquiring the asset.
- b.) Additional investment made after acquisition – Any increases to mortgage loans after the time the mortgage loan was originally acquired (e.g., additional lendings) should be reported on this line.

Line 3 – Accrual of Discount and Mortgage Interest Points and Commitment Fees – The total discount accretion recognized on mortgage loans during the year should be reported here. In addition, loan fee amortization required to be amortized over the life of the loan should also be reported here. (Most County Mutual insurers will not have any amounts reported on this line.)

Line 4 – Increase (Decrease) by Adjustment – The amount from Schedule B – Part 1, Column 8, Line 9999 plus Schedule B – Part 2, Column 7, Line 9999 should be reported here.

Line 5 – Total Profit (Loss) on Sales – The amount from Schedule B – Part 2, Column 10, Line 9999 should be reported on this line. This amount should also tie to Underwriting and Investment Exhibit-Part 1B, Page 5.1, Line 4, Column 1.

Line 6 – Amounts Paid on Account or in Full During the Period – Report the consideration received on mortgage loans repaid during the year. This would include principal reductions, loans paid in full, and consideration received on loans sold during the year.

Line 7 – Amortization of Premium – The total amortization of premium recognized on mortgage loans during the year should be reported here.

Line 8 – Book Value, December 31, Current Year – Line 1, plus Line 2, plus Line 3, plus/minus Line 4, plus/minus Line 5, minus Line 6, minus Line 7. This amount should tie to Schedule B – Part 1, Column 7, Line 9999 and Assets – Page 2, Line 3.1 and 3.2.

Schedule D – Part 1, Bonds and Long-Term CDs Owned

Schedule D - Part 1 is an inventory of all bonds and long-term CDs (having a maturity date when originally acquired in excess of one year from the Annual Statement date) owned as of December 31 of the current year. It contains various descriptive information for each bond and long-term CD, including interest rate, interest due date, maturity date, and acquisition date. In addition, the schedule includes valuation information such as par value, market value, actual cost, and book value. The schedule also includes income information, such as interest income collected, interest income accrued, and income adjustments from accrual of discount and amortization of premium. Together, this information provides detailed support for the value of bonds and accrued interest income reported in the statutory balance sheet (Page 2) and the bond income collected and accrued reported in the Underwriting and Investment Exhibit – Part 1A, Interest, Dividends and Real Estate Income. Mutual Funds that must invest 100% of their total assets in U.S. Government Bonds that are issued or guaranteed as to payment of principal and interest by agencies and instrumentalities of the U.S. government, including single or multi-class mortgage-backed/asset-backed securities, and collateralized repurchase agreements comprised of those obligations at all times (i.e. U.S. Treasuries, Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), Federal Home Loan Banks (FHL), Government National Mortgage Association (GNMA), etc.) should also be reported as bonds.

Column 1 – CUSIP Identification – CUSIP numbers for all publicly purchased issued securities are available from the brokers' confirmation or the certificate. The CUSIP number should be comprised of nine characters. CDs will not have a CUSIP number.

Column 2 – Description – Give a complete and accurate description of all bonds owned as listed on broker's confirmation or the certificate. If bonds are "serial" issues, indicate the amount maturing each year. Give a brief description of CDs, as well.

Column 3a – Rate of Interest – Report the stated or coupon rate of interest for each bond and CD.

Column 3b – How Paid – Insert initial letters of months in which interest is payable (e.g., if interest is paid in February and August then "FA" should be shown). If the interest is paid quarterly (for example, January, April, July and October), then "JAJO" shown be shown. If interest is paid monthly, then use "MTLY."

Column 4 – Year Acquired – Indicate the year in which each bond was acquired. This should correspond to the year that the bond appeared in Schedule D – Part 3 which discloses bond and stock acquisitions.

Column 5 – Maturity Date – Show the maturity date of each bond. The maturity date reflects the year and month in which the bond is scheduled to be paid in full.

Column 6 – Book Value – Book value represents the bond value as recorded on the insurer's general ledger. Generally, book value is equal to actual cost adjusted for accumulated amortization of premium or accrual of discount from the purchase date through year end. Differences may result from a write-down of the investment due to impairment.

Crosscheck: the amount reported on Line 9999 for this column should agree with Underwriting and Investment Exhibit–Part 1B (Page 5.1), Line 1, Column 3.

Column 7 – Par Value – Enter the principal balance of the bond to be received at maturity. For mortgage-backed or asset-backed securities, enter the remaining principal of the underlying loans to which the investor has claim. Reductions in principal are reflected in Schedule D - Part 4.

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Column 8 – Rate Used to Obtain Market Value – This column represents the market value per \$100 of par value. This rate times the par value (Column 7) will provide the market value (Column 9). A rate should be obtained from a registered U.S. exchange. (Your broker should be able to provide this information.)

Column 9 – Market Value – Par Value (Column 7) times Rate Used to Obtain Market Value (Column 8). County Mutual insurers must admit NAIC class 1 and 2 bonds at amortized cost; NAIC class 3 and lower bonds must be admitted as the lower of amortized cost or market value.

Crosscheck: the amount reported on Line 9999 for this column should agree with Underwriting and Investment Exhibit–Part 1B (Page 5.1), Line 1, Column 4.

Column 10 – Actual Cost – Enter the original cost of acquiring the bonds. The cost should include brokerage commissions and other fees incurred in the acquisition and should exclude amounts paid for interest accrued on the bonds through the dates of purchase. For mortgage-backed/asset-backed securities, the cost should be reduced as principal payments are received with the activity reflected in Schedule D - Part 4.

Column 11.1 – Interest: Amount Due and Accrued December 31 of Current Year on Bonds not in Default – This column shows interest income earned but not received as of yearend for bonds that are not in default. (Accrued interest on bonds in default should be reported in Column 13.)

Crosscheck: the amount reported on Line 9999 for this column should agree with Underwriting and Investment Exhibit–Part 1A (Page 5.1), Line 1, Column 4.

Column 11.2 – Interest: Gross Amount Received During Year – Enter the total amount of interest income received on each bond during the current Annual Statement period, including cash or interest reinvested. (Exclude those amounts appearing in Column 13 for interest due and accrued on bonds in default as to principal and interest.)

Column 12 – Increase or (Decrease) by Adjustment in Book Value During Year – The amount reported in this column reflects the increase (accrual of discount) or decrease (amortization of premium) in the value of the bond during the year. The column also shows write-downs in book value for impairment due to the bond being in default.

Column 13 – Amount of Interest Due and Accrued December 31 Current Year on Bonds in Default as to Principal and Interest – The amount reported in this column should reflect accrued interest on bonds in default. The total non-admitted interest accrual is not carried forward to any exhibit since the bonds are in default.

Column 14 – Statement Value December 31 of Current Year – The amount reported in this column represents the admitted value of the bonds. NAIC Class 1 and 2 bonds are admitted on the Annual Statement at amortized cost; NAIC Class 3 and below are admitted on the Annual Statement at the lower of amortized cost or current market value. Any non-admitted investments are reported on Line 28 of the Assets Page (Page 2).

Schedule D – Part 2 – Section 1, Preferred Stocks Owned

Schedule D - Part 2 – Section 1 is an inventory of all preferred stocks owned as of December 31 of the current year. It contains various descriptive information for each preferred stock including number of shares, par value, book value, rate per share, statement value, and cost. The schedule also includes income information, such as dividends accrued, and dividends received. Together, this information provides detailed support for the admitted value of preferred stocks and dividends accrued reported in the balance sheet (Page 2) and the stock income collected and accrued reported in the investment income exhibit (Underwriting and Investment Exhibit-Part 1A, Page 5.1).

Preferred stocks will be admitted on the Annual Statement depending on the alphanumeric NAIC designation. If a preferred stock is “redeemable” and has the designation 1 or 2, it should be admitted at “book value”. If it is not redeemable and has the designation 1 or 2, it should be admitted at “market value”. If the designation is 3 or lower, it should be admitted at the “lower of book or fair value”.

Column 1 – CUSIP Identification – CUSIP numbers for all publicly purchased issued securities are available from the broker’s confirmation or the stock certificate.

Column 2 – Description – Give a complete and accurate description of all stocks owned as listed on brokers’ confirmation or the certificate.

Column 3 – Number of Shares – Record the number of shares of stock owned as of the current year’s end. The number of shares should be adjusted for activity occurring during the year including non-cash transactions such as stock splits and stock dividends (stock splits and stock dividends should be reflected in Schedule D – Part 3).

Column 4 – Par Value per Share – State the par value per share. Report zero if the stock does not have a par value.

Column 5 – Book Value – Book value represents the bond value as recorded on the insurer’s general ledger.

Crosscheck: the amount reported on Line 9999 for this column should agree with Underwriting and Investment Exhibit–Part 1B (Page 5.1), Line 2, Column 3.

Column 6 – Rate per Share – The amount reported in this column represents the amount per share used in determining the *statement value* and is multiplied by the number of shares reflected in Column 3 to obtain the statement value in Column 7.

Column 7 – Statement Value – The amount reported in this column represents the admitted value of each preferred stock. Preferred stock is admitted on the Annual Statement at its market value or book value depending on its NAIC designation reduced for amounts that are non-admitted due to investment limitations. Non-admitted amounts are reported on Line 28 of the Assets Page (Page 2).

Column 8 – Rate Used to Obtain Market Value – This column represents the market price as of December 31 of one share of stock. This rate times the number of shares (Column 3) will provide the market value (Column 9). A rate should be obtained from a registered U. S. exchange. (Your broker should be able to provide this information.)

Column 9 – Market Value – Number of shares (Column 3) times Rate Used to Obtain Market Value (Column 8).

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Crosscheck: the amount reported on Line 9999 for this column should agree with Underwriting and Investment Exhibit–Part 1B (Page 5.1), Line 2, Column 4.

Column 10 – Actual Cost – Enter the original cost of acquiring the stocks. The cost should include brokerage commissions and other fees incurred or related to the acquisition and should exclude amounts paid for dividends declared but unpaid on the preferred stocks through the date of purchase. Any dividends received which are declared by the issuer as a return of capital should be used to reduce the original cost. Return of capital should be reflected in Schedule D - Part 4. Stock dividends or stock splits reduce the cost per share on a pro rata basis but do not affect the total cost of the shares held. The actual cost recorded in this column shall always be adjusted for other than temporary impairments.

Column 11.1 – Dividends: Declared but unpaid – Include all dividends that have been declared by the issuer before year end but not received as of yearend.

Crosscheck: the amount reported on Line 9999 for this column should agree with Underwriting and Investment Exhibit–Part 1A (Page 5.1), Line 2, Column 4.

Column 11.2 – Dividends: Amounts Received During Year – Include the total cash dividend income received on each preferred stock during the current year.

Column 12 – Increase or (Decrease) by Adjustment in Book Value During Year – Include adjustments made to book value as a result of discount accrual or premium amortization. Write-downs due to permanent decline in value are also included in this column.

Column 13 – Date Acquired – Indicate the date on which each preferred stock was acquired. This would correspond to the date that the preferred stock appeared in Schedule D – Part 3 which discloses bond and stock acquisitions.

Column 14 – Publicly Traded – Enter “Yes” if the stock is publicly traded on a stock exchange (New York Stock Exchange, American Stock Exchange, or NASDAQ). Otherwise, enter “No.”

Schedule D – Part 2 – Section 2, Common Stocks Owned

Schedule D - Part 2 – Section 2 is an inventory of all common stocks and mutual funds owned as of the current year's end. Mutual Funds (other than those required to be reported on Schedule D – Part 1) are reported on Schedule D – Part 2 (i.e., all mutual funds whose underlying assets are NOT comprised entirely of bonds). The schedule contains various descriptive information for each common stock including number of shares, par value, book value, rate per share, statement value, and cost. The schedule also includes income information, such as dividends accrued, and dividends received. Together, this information provides detailed support for the admitted value of common stocks and dividends accrued reported in the balance sheet (Page 2), and the stock income collected and accrued reported in the investment income exhibit (Underwriting and Investment Exhibit-Part 1A, Page 5.1).

Mutual Funds – Investments in mutual funds (other than those required to be reported in Schedule D - Part 1) should be treated as common stock investments and reported in Schedule D – Part 2 – Section 2. Generally, this treatment does not vary depending on the types of securities in which the mutual fund invests. A mutual fund investing in corporate bonds is still treated as a common stock investment rather than a bond investment. The only exception where mutual funds may be treated differently is when a mutual funds must invest 100% of its total assets in U.S. Government Bonds that are issued or guaranteed as to payment of principal and interest by agencies and instrumentalities of the U.S. government, including single or multi-class mortgage-backed/asset-backed securities, and collateralized repurchase agreements comprised of those obligations at all times. (i.e., U.S. Treasuries, Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), Federal Home Loan Banks (FHL), Government National Mortgage Association (GNMA), etc.) These mutual funds should be reported as bonds in Schedule D – Part 1.

Column 1 – CUSIP Identification – CUSIP numbers for all publicly purchased issued securities is available from the broker's confirmation or the stock certificate.

Column 2 – Description – Give a complete and accurate description of all common stocks owned as contained in the broker's confirmation or the stock certificate.

Column 3 – Number of Shares – Record the number of shares of stock owned as of the current year end. The number of shares should be adjusted for activity occurring during the year including non-cash transactions such as stock splits and stock dividends (stock splits and stock dividends should be reflected in Schedule D – Part 3).

Column 4 – Book Value – Enter the book value for the total shares owned as of the current year end. This is generally the original cost unless an unusual write-down has been recorded.

Crosscheck: the amount reported on Line 9999 for this column should agree with Underwriting and Investment Exhibit-Part 1B (Page 5.1), Line 3, Column 3.

Column 5 – Rate Used to Obtain Market Value – This column represents the market price as of December 31 of one share of stock. This rate times the number of shares (Column 3) will provide the market value (Column 6). A rate should be obtained from a registered U. S. exchange. (Your broker should be able to provide this information.)

Column 6 – Market Value – Amounts in this column represent the total market value of common shares owned as of the current year end. It is the product of the number of shares in Column 3 times the rate per share used to obtain market value in Column 5.

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Crosscheck: the amount reported on Line 9999 for this column should agree with Underwriting and Investment Exhibit–Part 1B (Page 5.1), Line 3, Column 4.

Column 7 – Actual Cost – Enter the original cost of acquiring the stocks. The cost should include brokerage commissions and other fees incurred or related to the acquisition and should exclude amounts paid for dividends declared but unpaid on the common stocks through the date of purchase. Any dividends received that are declared by the issuer as a return of capital should be used to reduce the original cost. Return of capital should be reflected in Schedule D - Part 4. Stock dividends or stock splits reduce the cost per share on a pro rata basis but do not affect the total cost of the shares held. The actual cost recorded in this column shall always be adjusted for other than temporary impairments.

Column 8.1 – Dividends: Declared but unpaid – Include all dividends that have been declared by the issuer before year end but not received as of year's end.

Crosscheck: Line 9999 for this column amount should agree with the amount reported on the Underwriting and Investment Exhibit – Part 1A, Page 5.1, Line 3, Column 4.

Column 8.2 – Dividends: Amounts Received During Year – Include the total cash dividend income received on each common stock during the current year.

Column 9 – Increase or (Decrease) by Adjustment in Book Value During Year – In special cases, a write-down may occur during the year in the book value of common stock. Such a write-down would be due to a permanent decline in value and would be recorded in Column 9.

Column 10 – Date Acquired – Indicate the date on which each common stock was acquired. This would correspond to the date that the common stock appeared in Schedule D – Part 3 which discloses bond and stock acquisitions.

Column 11 – Publicly Traded – Enter “Yes” if the stock is publicly traded on a stock exchange. Otherwise, enter “No.”

Schedule D – Part 3, Bonds and Stocks Acquired During Year

Schedule D – Part 3 reports all acquisitions of bonds (including long-term CDs) and stocks that occurred during the current year. Bonds, preferred stocks, and common stocks are to be grouped separately, showing a subtotal for each category. Schedule D - Part 3 reports the details of bonds and stocks acquired during the year and owned on December 31, plus the totals from Part 5 on bonds and stocks acquired (and disposed of) during the year.

Column 1 – CUSIP Identification – CUSIP numbers for all publicly purchased issued securities are available from the brokers' confirmation or the stock certificate.

Column 2 – Description – Give a complete and accurate description of all bonds and stocks acquired.

Column 3 – Date Acquired – For publicly-traded securities, use the trade date, not the settlement date. For private placements, use the funding date. For bonds or stocks of the same issue that were acquired during the year, the insurer may aggregate them on one line and report the date of the last acquisition as the date acquired.

Column 4 – Name of Vendor – Enter the name of the vendor from whom the bond or stock was acquired. If the insurer has acquired multiple lots of the same security from different vendors, enter "Various." If the transaction is a stock split, stock dividend, or other similar transaction initiated by the issuer of the stock then enter a description of the transaction in Column 4 (For example, "Stock Split of 3 for 1").

Column 5 – Number of Shares of Stock – The number of shares of stock acquired should be reported in this column. For bond acquisitions, this column is blank.

Column 6 – Actual Cost – Actual cost represents the original cost of acquiring the bonds or stocks. The cost should include commissions and other brokerage fees incurred in the acquisition and should exclude amounts paid for accrued interest or dividends declared but unpaid (which are reported in Column 8). Stock dividends and stock splits would normally have no cost reflected in Column 6.

Column 7 – Par Value – The par value of bonds (principal balance of the bond to be received at maturity) should be reported in this column. For common stock acquisitions, this column is blank. For preferred stock, enter the par value per share, if any.

Column 8 – Paid for Accrued Interest and Dividends – The amount reported in this column should be accrued interest and dividends that had been declared but had not been paid at the time the security was acquired.

2023 Annual Statement Instructions for Tennessee County Mutual Insurers

Schedule D – Part 4, Bonds and Stocks Sold, Redeemed or Otherwise Disposed of During Year

Schedule D – Part 4 reports the totals of all disposals of bonds and stocks that occurred during the current year. Schedule D - Part 4 reports the details of bonds and stocks that were sold, redeemed, or otherwise disposed of during the year and that were owned on December 31 of the preceding year, plus the totals from Part 5 on bonds and stocks sold, redeemed, or otherwise disposed of during the year that were acquired during the year. Bonds, preferred stocks, and common stocks are to be grouped separately, showing a subtotal for each category. The information reported on this schedule also includes the interest and dividends on bonds and stocks sold, the consideration received, and the profit or loss realized on disposal.

Column 1 – CUSIP Identification – CUSIP numbers for all publicly purchased issued securities are available from the brokers' confirmation or the stock certificate.

Column 2 – Description – Give a complete and accurate description of all bonds and stocks which were disposed.

Column 3 – Disposal Date – Enter the trade date. For bonds or stocks of the same issue that were called, matured, redeemed, or sold during the year, the insurer may aggregate them on one line and omit the disposal date.

Column 4 – Name of Purchaser – This column reports the name of the entity that acquired the security. If the transaction is a maturity or a redemption, then this should be indicated in Column 4. If a security was called before maturity, state the call price. Periodic principal payments, as with single class securities, can be labeled "principal receipt", "scheduled redemption", "pay down", or another similar term.

Column 5 – Number of Shares of Stock – The number of shares of stock disposed of should be recorded in this column. For bond dispositions, this column is blank.

Column 6 – Consideration – Disclose the proceeds received from the sale, maturity, redemption, or principal payment, less any applicable commissions, taxes, or fees. Accrued interest and dividends received as part of the disposition should be excluded from this column.

Column 7 – Par Value – Enter the par value of bonds sold or matured. For common stock dispositions, this column is blank. Enter the par value per share, if any, for preferred stock.

Column 8 – Actual Cost – Actual cost represents the original cost of acquiring the bonds and stocks. The cost should include commissions and other brokerage fees incurred in the acquisition and should exclude amounts paid for accrued interest and dividends declared but unpaid. For bonds, the amount in this column should correspond to amounts previously shown in Schedule D - Part 1, Column 10. For preferred stocks and common stocks, the amount in this column corresponds to the original cost amounts previously shown in Part 2 - Section 1, Column 10 and Part 2 - Section 2, Column 7, respectively.

Column 9 – Book Value at Disposal Date – For bonds and stocks, book value at the disposal date is generally the original cost plus accretion of discount less amortization of premium, adjusted for any impairment write-downs. If the bond or preferred stock is accrued or amortized, the book value would be the accrued or amortized value at the date of disposal.

Column 10 – Increase or (Decrease) by Adjustment in Book Value During Year – These amounts would include discount accrual and amortization of any bond premium or discount during the year.

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Column 11 – Profit or (Loss) on Disposal – The profit or (loss) on disposal is the consideration in Column 6 less the book value at the disposal date in Column 9.

Crosscheck:

The amount reported on Line 1999 should agree with the Underwriting and Investment Exhibit-Part 1B (Page 5.1), Line 1, Column 1.

The amount reported on Line 2999 should agree with the Underwriting and Investment Exhibit-Part 1B (Page 5.1), Line 2, Column 1.

The amount reported on Line 3999 should agree with the Underwriting and Investment Exhibit-Part 1B (Page 5.1), Line 3, Column 1.

Column 12 – Interest on Bonds or Dividends on Stocks Received During Year – Include here the interest received during the year for bonds and dividends received during the year for preferred and common stocks disposed of during the year, including the accrued dividends received as part of the disposition.

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Schedule D – Part 5, Bonds and Stocks Acquired During Year and Fully Disposed of During Year

Schedule D – Part 5 reports all bonds and stocks that were both acquired and disposed of during the current year. This manner of reporting avoids having to list these bonds and stocks twice, once in Part 3 for acquisitions and once in Part 4 for dispositions. The subtotals in Part 5 for bonds, preferred stocks, and common stocks are carried forward to the appropriate columns in Parts 3 and 4. (The investments in Part 5 should not be included in the current year or the prior year Schedule D - Parts 1 and 2.)

Column 1 – CUSIP Identification – CUSIP numbers for all publicly purchased issued securities are available from the broker's confirmation or the stock certificate.

Column 2 – Description – Give a complete and accurate description of all bonds and stocks purchased and disposed.

Column 3 – Date Acquired – For publicly-traded securities, use trade date, not the settlement date. For private placements, use the funding date. For bonds or stocks of the same issue that were acquired during the year, the insurer may aggregate them on one line and report the date of the last acquisition as the date acquired.

Column 4 – Name of Vendor – Enter the name of the vendor from whom the bond or stock was acquired. If the insurer has acquired multiple lots of the same security from different vendors, enter "Various." If the transaction is a stock split, stock dividend, or other similar transaction initiated by the issuer of the stock then enter a description of the transaction in Column 4 (For example, "Stock Split of 3 for 1").

Column 5 – Disposal Date – Enter the trade date. For bonds or stocks of the same issue that were called, matured, redeemed or sold during the year, the insurer may aggregate them on one line and omit the disposal date.

Column 6 – Name of Purchaser – This column reflects the name of the entity that acquired the security. If the transaction is a maturity or a redemption, the appropriate description should be entered.

Column 7 – Par Value (Bonds) or Number of Shares (Stocks) – The par value of the bonds sold or redeemed or the number of shares of stock sold should be reported in this column.

Column 8 – Actual Cost – Actual cost represents the original cost of acquiring bonds and stocks. The cost should include commissions and other brokerage fees incurred in the acquisition and should exclude amounts paid for accrued interest and dividends declared but unpaid.

Column 9 – Consideration – Report the proceeds received from the sale, maturity, or redemption less any applicable commissions, taxes, or fees. Accrued interest and dividends received as part of the disposition should be excluded from this column.

Column 10 – Book Value at Disposal Date – For bonds and stocks, book value at the disposal date is generally the original cost adjusted for any impairment write-downs. If the bond or preferred stock is amortized, the book value would be the amortized value at the date of disposal.

Column 11 – Increase or (Decrease) by Adjustment in Book Value During Year – These amounts would include discount accrual and amortization of any bond premium during the year.

2023 Annual Statement Instructions for Tennessee County Mutual Insurers

Column 12 – Profit or (Loss) on Disposal – The profit or (loss) on disposal is the consideration in Column 9 less the book value at disposal date in Column 10.

Column 13 – Interest on Bonds or Dividends on Stocks Received During Year – This column displays the interest received on bonds and the dividends actually received on preferred and common stocks from the date acquired through the disposal date. The amount reported should include accrued interest and dividends (excluded from Column 9) received upon the disposition of the security by the insurer.

Column 14 – Paid for Accrued Interest and Dividends – Accrued interest and dividends declared but unpaid which were acquired by the insurer in its purchase of the bonds or stocks are reported here.

Schedule E – Cash and Cash Equivalents

Schedule E is an inventory of all cash and cash equivalents as of December 31 of the current year. Cash includes cash on hand (i.e., petty cash), and the reconciled balance (i.e., book value) of cash in banks, trusts, and savings and loan associations. Short-term CDs (which have a maturity date of one year or less when purchased) are also reported on Schedule E. Cash equivalents include such items as money market funds and other short-term investments. Cash equivalents are short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash, and (b) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Only investments with “original maturities” of three months or less qualify as cash equivalents under this definition.

Long-term CDs should not be included in this schedule. Rather, they should be reported in Schedule D and treated as a bond.

The amount of interest received during the current year, the amount of interest accrued on December 31, and the rate of interest earned on the account for each institution are also reported on Schedule E.

Mutual Funds should be reported as either bonds or common stocks. See instructions for bonds (Line 1) and common stocks (Line 2.2).

Crosscheck: the amount reported on Line 9999, Column 5 should agree with Assets Page, (Page 2), Line 5, Column 1.

Line 1999 – The total on this line should include cash balances maintained during the year in banks, trusts, and savings and loan associations.

Line 2999 – The total on this line should include cash equivalents and short-term CDs (with original maturity less than one year), money market funds, investments (such as U.S. Treasury bill, Treasury note, etc.) with original maturity of three months or less, and mutual fund accounts.

Line 3999 – The total on this line should include cash maintained in the insurer’s office such as petty cash.

Column 1 – Description – Enter the full name and location of the depository. If the item relates to a CD, the date of maturity should be disclosed. The full name of each money market or mutual fund account should be disclosed.

Column 2 – Rate of Interest – If applicable, indicate the annual effective rate or annual percentage yield of interest earned on each balance displayed. Since commercial checking accounts do not earn interest, such as CDs or time deposits.

Column 3 – Amount of Interest Received During Year – Enter the interest income collected during the current year. The total should generally agree with the Underwriting and Investment Exhibit–Part 1A (Page 5.1), Line 6, Column 1.

Column 4 – Amount of Interest Accrued December 31 of Current Year – Enter the amount of interest income earned but not received as of December 31. The total should agree with the Underwriting and Investment Exhibit–Part 1A (Page 5.1), Line 6, Column 4.

Column 5 – Balance – Enter the year-end reconciled *book* balance for each depository and cash equivalent. The total on Line 9999 should agree with Assets (Page 2), Line 5, Column 1.

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Totals of Depository Balances on the Last Day of Each Month During the Current Year – Enter the total reconciled *book value* month-end balances for each month of the year for cash accounts maintained in banks, trusts, and savings and loan associations (those reported in Line 1999).

SUPPLEMENTAL COMPENSATION EXHIBIT

Compensation shall consist of any and all remuneration paid to or on behalf of an officer, employee, or director, including, but not limited to, wages, salaries, bonuses, commissions, insurance benefits, retirement account contributions, and any other emolument.

Part 2

Officer and Employee Compensation

The insurer should report the compensation of each individual who was on the insurer's payroll during the year. The compensation should include, but not be limited to, salaries, commissions, insurance benefits, and retirement account contributions, as well as all local, state, and federal taxes associated with such compensation.

NOTE: The insurer should indicate in Column 9 of Part 2 which officers or other employees (if any) have authority over underwriting decisions.

Part 3

Director Compensation

The insurer should also report all compensation paid to, or on behalf of all directors, other than full-time officers and employees of the reporting entity whose total compensation included service as a director and is disclosed under Part 2. Amounts disclosed must include all compensation paid for services on board and committees, as well as any other compensation for any other activity or service, such as consulting agreements. The compensation should include, but not be limited to, salaries, commissions, insurance benefits, and retirement account contributions, as well as all local, state, and federal taxes associated with such compensation.

NOTE: The insurer should indicate in Column 8 of Part 3 which directors (if any) have authority over underwriting decisions.

Part 4

The insurer should provide a narrative description of any material factors necessary to gain an understanding of the information disclosed in the Part 2 and Part 3 tables.

SUPPLEMENTAL SCHEDULE Y
Information Concerning Activities of Insurer Members of a Holding Company Group

The term “holding company group” includes members of a holding company system and controlled groups.

All insurer and reporting entity members of a holding company group shall prepare a common schedule for inclusion in each of the individual annual statements. If the company is required to file a registration statement under the provisions of the domiciliary state’s Insurance Holding Company System Regulatory Act, then Schedule Y must be included in the annual statement. See SSAP No. 25—Affiliates and Other Related Parties for further information.

NOTE: If the reporting entity completes this schedule, it should have answered “YES” to General Interrogatories, Question 21.

Attach a list presenting the identities of and interrelationships between the parent, all affiliated insurers and reporting entities; and other affiliates, identifying all insurers and reporting entities as such and listing the Federal Employer’s Identification Number for each. The NAIC company code and two-character state abbreviation of the state of domicile should be included for all domestic insurers. The relationships of the holding company group to the ultimate controlling person (if such person is outside the reported holding company) should be shown. Only those companies that were a member of a holding company group at the end of the reporting period should be shown on Schedule Y.

Where interrelationships are a 50%/50% ownership, footnote any voting rights preferences that one of the entities may have.

However, any person(s) (that includes natural person) deemed to be an ultimate controlling person, must be included in the organizational chart. The Social Security number for individual persons should not be included on this schedule.