

# 2016 Annual Statement Instructions for Tennessee County Mutual

## Annual Statement Instructions

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### Jurat Page

The Jurat Page identifies the insurer, its principal officers, and its administrative and statutory office locations. The page 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 is the office location 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 and phone number of the Annual Statement contact.

**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.

**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 Tenn. Code Ann. § 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 right hand 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 permitted 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 are generally recorded on the company'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 company 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 to Schedule D–Part 1 (Page 14), Line 9999, Column 14.*

*Relevant literature: to Tenn.Code Annotated Section 56-3-113, SSAP #26, and the NAIC Securities Valuation Office (“SVO”) manual instructions on pages A-12 through A-15.*

**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 company'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 company is amortizing any bond premium, accruing the 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 depending on the alphanumeric NAIC designation. If preferred stocks are “redeemable” and has the designation 1 or 2, it should be admitted at “book value”. If they are 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 “lower of book or fair 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 public market rate, the insurer shall indicate how the price was determined on General Interrogatory #10 (Page 7.2). The difference between book value and market value are unrealized capital gains or (losses) accounted for as direct adjustments to policyholders' surplus.

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

**Line 2.2 – Stocks: Common Stocks** - Common stocks are generally recorded on the company's general ledger at original cost (including brokerage and other related fees), commonly referred to as *book value*. Book value for common stocks will generally not fluctuate from actual cost unless

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the book value has been written down for impairment. Adjustments to book value are recorded on the income statement as an entry to realized capital losses. Non-affiliated, publicly traded or private placement issues are admitted on the Annual Statement at the lower of cost or market. 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 public market rate, the insurer shall indicate how the price was determined on General Interrogatory #10 (Page 7.1). The difference between book value and market value are unrealized capital gains or (losses) accounted for as direct adjustments to policyholders' surplus.

**Mutual Funds** – 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 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 (FHLB), Government National Mortgage Association (GNMA), etc). These mutual funds should be reported as bonds.

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

**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 company'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 such property.

**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 to Schedule B–Part 1 (Page 12), Line 9999, Column 7.*

**Line 3.2 – Mortgage Loans on Real Estate: Other than First Liens** – Second lien or other than first lien mortgages are not allowable investments according to statutory accounting principal. 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 to Schedule B–Part 1 (Page 12), Line 9999, Column 7.*

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**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 company owned real estate are reported as offsets (reductions) to the related real estate asset. Real estate is generally recorded on the company's general ledger at depreciated cost less any adjustments for permanent impairments, commonly referred to as *book value*. Real estate is generally admitted on the Annual Statement at its book value less related encumbrances.

In addition, Tenn. Code Ann. § 56-3-405(6) limits a company to admit its real estate investment to only 10% of admitted assets.

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

*Crosscheck: the amount reported on this line should agree to 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. This line should identify the total book value less related encumbrances for investment real estate. 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 to 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), the reconciled book balances in outstanding checking and savings accounts, certificates of deposit, and other items considered to be cash equivalents. 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. Cash equivalents can include short-term investments, short-term certificate of deposit (with original maturity one year or less), and money market funds. 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 to Schedule E–Cash and Cash Equivalents (Page 20), Line 9999, Column 5.*

**Line 6 – Aggregate Write-ins for Invested Assets** - Investments owned by the company 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 total of lines 1 through 6.

**Line 8 – Premium Receivables and Agents' Balances** – Original, renewal, endorsement, and installment premium balances due to the company from agents or directly from policyholders are included in this line. Due date is determined by the effective date of the insurance policy or due

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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 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 non-admitted accounts reported on line 18. The non-admitted asset rules vary depending on the nature of the account and the billing system.

**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 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.

**Line 10 – Federal Income Tax Recoverable** – Federal income tax recoverable assets should be recorded for tax refunds whether or not they have actually been filed as of the Annual Statement filing date.

**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 for Column 1 should agree to the Underwriting and Investment Exhibit- Part 1A (Page 5.1), Line 8, Column 4. However, the difference between Underwriting and Investment Exhibit- Part 1A (Page 5.1), Line 8, Column 4 and Page 2, Line 11, Column 1 may be from the past due amount on Line 21.*

*The amount reported on this line for Column 2 should agree to 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, autos, airplanes 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** – All capitalized EDP equipment and software is reported on this line. Operating system software (i.e., DOS, Windows) includes any software necessary to run and maintain the hardware. EDP equipment would include such items as mini computers, personal computers and laptops, and peripheral equipment such as disk drives, tape drives and printers. EDP and operating system software should be depreciated over a period not to exceed three (3) years. Non-operating system 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 five (5) years. The depreciated value of EDP equipment and operating software is an admitted item to the extent that the 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. Non-operating system software is included on this line but is a non-admitted asset and deducted from gross assets on line 23.

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*Relevant literature: SSAP No. 79, Depreciation of Non-operating System 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 (i.e., prepaid rent, prepaid insurance, prepaid taxes) 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 company 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 total of lines 7 through 16. This represents total ledger and non-ledger assets before deduction for non-admitted assets.

**Line 18 – Premium Receivables and Agents Balances Over 90 Days Past Due** – Amounts due from **agents** should be non-admitted to the extent of individual policy balances that are over 90 days old as of the end of the year. For aging purposes, the due date is determined by the; effective date of the policy, if an original or renewal premium, the effective date of the endorsement, if an endorsement premium; and the installment due date, if an installment premium. No consideration of subsequent realization or unearned premium balance is permitted. Advances to agents are non-admitted when certain conditions are met.

Amounts due from **policyholders** should be non-admitted to the extent that the individual policy balances are over 90 days old and 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 is more than 90 days old, then it must be compared to the unearned premium. If the unearned premium is \$75, then \$25 is non-admitted.

*Relevant literature: SSAP #6*

**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 of balances that 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 line 14.

**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 No. 34, Investment Income Due and Accrued.*

**Line 22 – Furniture, Equipment and Supplies** – The amount reported on this line should equal line 12.

**Line 23 – Electronic Data Processing Equipment and Software** - The depreciated value of EDP equipment and operating software is an admitted item to the extent that the value does not exceed

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3% of prior year-end surplus. Any excess over the 3% threshold is included in this line. The total of non-operating software should also be included in this line.

**Line 24 – Prepaid Expenses** – The amount reported on this line should equal line 15.

*Relevant literature: SSAP No. 29.*

**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 over market value, less related encumbrances.

*Relevant literature: SSAP No. 40.*

**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 line 3.2.

*Relevant literature: SSAP No. 34, Investment Income Due and Accrued.*

**Line 28 – Non-admitted Assets Due to Investment Limitation** – County Mutual insurers are subject to investment limitations defined in TCA. 56-3-402 and Tenn. Code Ann. §. 56-3-405 Investment of Assets By Certain 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 total 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 permitted by the Tennessee Department of Commerce and Insurance for County Mutual insurers.

**Line 1 – Unpaid Losses and Claims** – Unpaid losses represent a company's estimated liability of incurred but unpaid claims. This reserve should be reduced by any estimated ceded reinsurance recoverable.

**Line 1.1 – Gross Losses and Claims Reported, Unpaid** – This line should include expected payments for losses relating to insured events that have occurred and have been reported to, but not paid by, the company as of the statement date. This line would include 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 for expected payments relating to insured events that have occurred but have *not* been reported to the company as of the statement date. The amount should include 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 estimated ceded reinsurance recoverable on unpaid losses and claims.

*Relevant literature: SSAP No. 62, 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 to the Underwriting and Investment Exhibit-Part 2B (Page 6), Column 5. The amount reported on this line in Column 2 should agree to the Underwriting and Investment Exhibit-Part 2B (Page 6), Column 6.*

**Line 2 – Loss Adjustment Expenses** – This line should include expected payments for costs to be incurred in connection with the adjustment and recording of its unpaid losses and claims. Loss adjustment expenses (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.

*Crosscheck: the amount reported on this line in Column 1 should agree to the Underwriting and Investment Exhibit –Part 2A (Page 6), Column 6. The amount reported on this line in Column 2 should agree to the Underwriting and Investment Exhibit-Part 2A (Page 6), Column 7.*

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**Line 4 – Advance Premiums** – Advance premiums result when the policies have been processed, and the premium has been paid prior to the policy effective date. These advance premiums should be reported as a liability and not considered income until due. Such amounts are not included in the calculation of written premium 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. Amounts payable to reinsurers for stop-loss or excess of loss coverage are included here.

**Line 6 – Commissions Payable, Contingent Commissions and Other Similar Charges** – Commissions payable include provisional or front-end commissions on direct business that are directly billed to the policyholders rather than to the agents. Provisional and front-end commissions on agency billed business are netted against the premiums receivable from agents (see Page 2, Line 8), with any remaining provisional or front-end commissions reported here.

Contingent commissions on direct business are reported here because these commissions represent additional amounts due to agents or brokers based on the achievement of certain goals. These commission arrangements may provide for the initial payment of a “provisional” commission followed by subsequent “contingent commission adjustments.”

**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 (federal, state, 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 December 31.

**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, and state and local income and franchise taxes. State insurance department charges for licenses, and examinations that have been incurred and are unpaid as of December 31 are also included here. Federal income taxes are excluded from line 8 but are reported on line 9.

**Line 9 – Federal Income Tax Payable and Interest Thereon** – Amounts payable for federal income taxes and interest are recorded here. Balances related to federal income taxes may be an asset (receivable) or a liability (payable). Payables are recorded here. Receivables are recorded on Page 2, Line 10.

**Line 10 – Amounts Withheld or Retained by Company for Account of Others** – Include payroll taxes (federal, state, FICA) withheld from employees, miscellaneous withholdings as agent or trustee to be paid to others, and amounts held in escrow such as real estate taxes and insurance payments received from mortgagees on mortgage loan investments. Security deposits received on real estate rented to others are also included here.

**Line 11 – Borrowed Money** – Report here any outstanding company debt and interest expense accrued on the debt at December 31. Exclude encumbrances on company 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 cannot identify for

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a specific purpose or, for other reasons, the insurer cannot apply to a specific account when received.

*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 total of line 1.4 through 13.

**Line 15 – Policyholders’ Surplus** – This amount is developed on Page 4.1, line 22. It represents the difference between admitted assets (Page 2, line 31) and liabilities (Page 3, line 14). Surplus is viewed as the net financial resources available to support: growth in premium writings, poor underwriting results, fluctuations in investment values, deficiencies in loss and loss adjustment expense reserves and potential uncollectible ceded reinsurance or premium balances.

*Crosscheck: the amount reported on this line should agree to Statement of Income (Page 4.1), Line 22, Column 1*

**Line 16 – Total Liabilities & Policyholders Surplus** – Line 16 is the total of line 14 and 15.

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

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### Statement of Income & Policyholders' Surplus Account

The Statement of Income (lines 1 through 15) reports the results of operations for the year in accordance with statutory account principal. Performance ratios such as the calendar year loss and loss adjustment expense ratios can be developed from the amounts reported on the Statement of Income.

The Policyholders' Surplus Account Reconciliation (lines 16 through 22) provides a roll-forward from the prior year ending surplus to the current year ending surplus. All significant changes in surplus are identified on the schedule and the total ending surplus should agree to the balance sheet, Page 3, line 15.

**Line 1 – Net Premiums and Assessments Earned** – Premium income is generally considered to be earned when the related insurance coverage is provided. The determination of premiums earned first requires a determination of both premiums written and unearned premiums on direct and ceded business. Earned premium is the portion of premium received for the expired period of the policy. Expressed by 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 reporting period)
Less:	<u>Unearned Premium Reserve (at the end of the reporting period)</u>
Equals:	Net Earned Premiums

*Crosscheck: the amount reported on this line should agree to 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. Calculated by the following formula:

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

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

**Line 3 – Loss Expenses Incurred Including Claims Adjustment Expenses** – All expenses incurred in connection with the investigation, settlement, and recording of claims. Examples

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include external and internal adjuster fees, external and internal legal services, expert testimony, court 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 on Line 4.1a and commissions received on reinsurance ceded on Line 4.1b.

**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 commission and allowances of every nature on reinsurance ceded including tax and board allowances and reinsurance brokerage.

**Line 4.1e – Net Commissions and Brokerage** – Line 4.1d 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 on Line 4.3a, 4.3b and payroll taxes related to these expenses on Line 4.3c.

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

**Line 4.3b – Directors and Officers Salaries** – Include in this line all salary, overtime and bonus compensation for all company officers and directors whose names are on the company's Jurat Page, and the cost of temporary help services utilized. An exception is building maintenance salaries that are included in real estate expenses.

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

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**Line 4.3d – Total Salaries and Related Items** – Line 4.3a plus Line 4.3b plus Line 4.3c.

**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 reported on Line 4.1a.

**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 company insurance expense for fidelity and surety bonds on employees, public liability insurance, errors and omissions coverage for directors and officers, insurance on company-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, cost of transportation, hotel, meals and entertainment of guests and cost of favors and presents given or extended to others than employees. Also include rent of automobiles, moving expenses, depreciation and operating expenses of company automobiles, dues to social or civic clubs or affairs 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 company.

**Line 4.13 – Cost or Depreciation of EDP equipment and software** – Include Depreciation and amortization expense for electronic data processing equipment, operating and non-operating systems software.

*Relevant literature: SSAP No. 16, Electronic Data Processing Equipment and Software.*

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

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**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 in connection with losses and salvage), auditing fees of independent CPA's and transfer agent fees. Also 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** – Includes premium taxes.

**Line 4.17b – Insurance Department Licenses and Fees** – Includes 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 in 4.17a through 4.17b. Also include gross insolvency assessments booked in the current year, if applicable. This is pursuant to Tenn. Code Ann. § 56-22-111 when any other County Mutual insurer was in insolvency.

**Line 4.17d – Total Taxes, Licenses and Fees** – Sum of Line 4.17a through Line 4.17c.

**Line 4.18 – Real Estate Expenses and Repairs** – Include all expenses relating to the insurance, maintenance and operation of company owned real estate excluding depreciation and taxes.

**Line 4.19 – Real Estate Taxes** – Include taxes, licenses and fees on company 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 at the top of 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 in line 4.16, Miscellaneous expense items, Income from special services.

**Line 4.21 – Total Underwriting Expenses Incurred** – The sum of Line 4.1 through Line 4.20.

**Line 5 – Total Underwriting Deductions** – The total of Line 2 plus Line 3 plus Line 4.21.

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

**Line 7 – Net Investment Income Earned** – This is the routine income from all invested assets such as interest, dividends, rental income and other recurring investment income items collected and earned during the year reduced by investment related expenses.

*Crosscheck: the amount reported on this line should agree to 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

## 2016 Annual Statement Instructions for Tennessee County Mutual

dividend income) from the transaction less the book value of the related asset at the transaction date.

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

**Line 9 – Net Investment Gain or (Loss)** – Line 7 plus Line 8.

**Line 10 – Finance and Service Charges not Included in Premiums** – The amount of finance and service charges to policyholders during the year, excluding amounts included in premiums written.

**Line 11 – Aggregate Write-Ins for Miscellaneous Income** – The total of write-ins listed at the top of page 4.2 titled “Details of Write-Ins.” Items that are not related to underwriting appear here and might include: Increase in cash value of life insurance or annuities, Gain or loss on sale of equipment, Gain or loss on retroactive reinsurance, Fines and penalties of regulatory authorities.

**Line 12 – Total Other Income** – Line 10 plus Line 11.

**Line 14 – Net Income Before Federal Income Taxes** – Line 6 plus Line 9 plus Line 12 minus Line 13.

**Line 15 – Federal Income Taxes Incurred** – The current year provisions for federal income taxes and federal income taxes incurred or refunded during the year relating to prior periods.

**Line 16 – Net Income after Federal Income Taxes** – Line 13 minus Line 14.

### Gains and (Losses) in Surplus

**Line 17 – Policyholder Surplus, December 31 of Previous Year** – The purpose of lines 16 through 22 is to provide a roll-forward from the prior year ending surplus to the current year ending surplus. The ending policyholders’ surplus balance from the prior year is entered here from Page 3, Line 15, Column 2.

**Line 18 – Net Income** – The amount from Line 15 above, Column 1 should be carried over to this line.

**Line 19 – Change in Net Unrealized Capital Gains or (Losses)** – The amount from the Underwriting and Investment Exhibit-Part 1B (Page 5.1), Line 10, Column 7 should be carried over to this line.

**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 net decrease in non-admitted assets will increase surplus. The change in non-admitted assets is calculated using the following:

	Total Assets Non-Admitted @ December 31, prior year ( <i>Assets, Page 2, Line 30, Column 2</i> )
Less:	Total Assets Non-Admitted @ December 31, current year ( <i>Assets, Page 2, Line 30, Column 1</i> )
Equals:	Change in Non-Admitted Assets from Prior Year

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A positive amount indicates a decrease in non-admitted assets which would add to 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 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 on the Aggregate write-ins for gains and losses in surplus line. 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 for reporting purposes. An example would be a change in the valuation methods of bonds or common stocks, (i.e., admitting bond investments at market value as opposed to book value). The cumulative effect of changes in accounting principles shall be reported as adjustments 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** – The total of the write-ins listed at the bottom of Page 4.2 in the “Details of Write-Ins” that support this line is reported here. Items that might be included are adjustments in special surplus funds and adjustments in other than special surplus funds.

**Line 23 – Policyholder Surplus as of Statement Date** – The sum of lines 17 through 22.

*Crosscheck: the amount reported on this line should agree to 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” (Page 4.1, Line 7) for the Statement of Income. Net investment income includes interest, dividends, rental income and other recurring investment income items and is reduced by deducting all investment-related expenses. Investment income is summarized by the various types of investments such as bonds, preferred stocks, common stocks, mortgage loans, real estate, cash and cash equivalents.

**Column 1 – Collected During Year** – This column generally includes cash investment income received adjusted for accrued income paid for on the purchases of investments.

**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 company’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 on the Statement of Income, Line 4.11. Real Estate Income is equal to gross income less interest incurred on

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encumbrances on all real estate owned at year-end *plus* gross income *less* interest incurred on encumbrances on all real estate sold during the year.

*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: Schedule E, Page 20, Line 9999, Column 3.*

**Line 7 – Aggregate Write-ins for Investment Income** – Investment income not classified elsewhere are reported on this line. The insurer should itemize the individual components of this account at the top of Page 5.2 in the section labeled “Details of Write-Ins” supporting line 7. The total of this write-in section, line 0799, is the total to be entered on line 7.

**Line 8 – Totals (Lines 1 to 7)** – 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 companies 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.

**Column 4 – Due and Accrued, Current Year** – This column should include the amount of investment income which has been earned but not received at 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 to Schedule D-Part 1, Page 14, Line 9999, Columns 11.1.*

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

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

*Line 8-Totals: should agree to Assets, Page 2, Line 11, Column 1.*

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

*Crosscheck: Line 8-Totals: should agree to Assets, Page 2, Line 11, Column 2.*

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

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

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**Column 8 – Earned During Year** – Compute the gross investment income earned as indicated in the column heading (Columns 1 + 3 + 4 + 6 – 2 – 5 – 7). Net investment income earned (Line 14) is calculated by subtracting Line 13 from Line 8.

**Line 8 – Totals** – Represents the 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 the sum of all expenses relating to the investment of funds and the accounting for invested assets. Examples are portfolio management fees, custodial expenses, investment consultants, investment publications, newsletters, and other direct expenses. Investment expenses also include those 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 the total interest expense recorded by the company 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 company's books in the reporting period 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** – Enter the total of the write-ins listed in the schedule "Details of Write-Ins" for Line 12 of Part 1A on page 5.2. Examples of items that might be included in that schedule are bank service charges and investment management fees.

**Line 13 – Total Deductions** – The sum of Lines 9 through 12.

**Line 14 – Net Investment Income Earned** – The sum of Line 8 minus Line 13. The total should agree to net investment income earned reported on the Statement of Income (Page 4.1).

*Crosscheck: Should agree to 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 gross 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 on common stock or bonds. Changes in unrealized gains and (losses) may result from differences between book value (amount recorded in the company'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** - Report realized profit or (loss) on bond disposals included on Schedule D.

*Crosscheck: Schedule D-Part 4, Page 18, Line 1999, Column 11.*

**Line 2 – Preferred Stock** – Report realized profit or (loss) on preferred stock disposals included on Schedule D.

*Crosscheck: Schedule D-Part 4, Page 18, Line 2999, Column 11.*

**Line 3 – Common Stock** – Report realized profit or (loss) on common stock disposals included on Schedule D.

*Crosscheck: Schedule D-Part 4, Page 18, Line 3999, Column 11.*

**Line 4 – Mortgage Loans** – Report realized profit or (loss) on mortgage loans sold, transferred or paid in full on Schedule B. Prepayment penalties (also called acceleration fees) received on the prepayment of mortgage loans should be included in this line.

*Crosscheck: Schedule B-Part 2, Page 13, Line 9999, Column 10.*

**Line 5 – Real Estate** – Report realized profit or (loss) on real estate sold on Schedule A.

*Crosscheck: Schedule A-Part 3, Page 11, Line 0199, Column 11.*

**Line 6 – Cash and Cash Equivalents** – Report the realized profit or (loss) on cash and cash equivalents.

**Line 7 – Aggregate Write-ins for Capital Gains and (Losses)** - Enter the total of the write-ins listed in the schedule "Details of Write-Ins" for Line 7 of Part 1B on page 5.2.

**Line 8 – Totals** – The sum of Lines 1 through 7.

**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. An example would be write-off of investments deemed worthless or write-off due to permanent impairment.

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**Column 3 – Book Value, Current Year (Schedule D)** – Report the book value of the current year only on bonds, preferred stocks, and common stock in this column. Columns 3 through 6 are used to calculate the difference between book value and market value or unrealized gain (loss) as of the end of the reporting year. Report the total book value included on Schedule D.

*Crosscheck:*

*Line 1-Bonds: Schedule D-Part 1, Page 14, Line 9999, Column 6*

*Line 2-Preferred Stocks: Schedule D-Part 2-Section 1, Page 15, Line 9999, Column 5*

*Line 3-Common Stocks: Schedule D-Part 2-Section 2, Page 16, Line 9999, Column 4.*

**Column 4 – Market Value, Current Year (Schedule D)** – Report the total market value included on Schedule D.

*Crosscheck:*

*Line 1-Bonds: Schedule D-Part 1, Page 14, Line 9999, Column 9*

*Line 2-Preferred Stocks: Schedule D-Part 2-Section 1, Page 15, Line 9999, Column 9*

*Line 3-Common Stocks: Schedule D-Part 2-Section 2, Page 16, Line 9999, Column 6.*

**Column 5 – Cumulative Unrealized Gain or (Loss), Current Year** – The sum of Column 4 minus Column 3.

**Column 6 – Cumulative Unrealized Gain or (Loss), Prior Year** – Report the total cumulative unrealized gain or (loss) from the prior year.

**Column 7 – Total** – This column is used to identify the net realized capital gains or (losses) on Line 9 and the net change in unrealized capital gains or (losses) on Line 10.

**Line 9 – Net Realized Capital Gains or (Losses)** – The sum of Line 8, Column 1 plus Column 2. The amount should agree to net realized capital gains or (losses) from sale or maturity of assets reported on the Statement of Income which will have an impact to the amount of net income.

*Crosscheck: should agree to Statement of Income, Page 4.1, Line 8, Column 1.*

**Line 10 – Net Change in Unrealized Capital Gains or (Losses)** – The sum of Line 8, Column 5 minus Column 6. Changes in unrealized capital gains (losses) are direct adjustments to policyholders' surplus. This will have an impact on the amount of Surplus.

*Crosscheck: should agree to 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 gross, written, and earned premiums. The net premiums written amounts are used in the computation of “Net Premiums and Assessments Earned” included 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 policies where the company is the primary carrier.

*Crosscheck: the amount reported for this column should agree to the total in Schedule T, Page 7.3, Column 2*

**Column 2 – Reinsurance Assumed:** Enter the amount of gross premiums actually transferred by other insurer(s) during the current year. Please see SSAP No. 62 for more information.

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

**Column 3 – Reinsurance Ceded:** Enter the amount of gross premiums actually transferred to the reinsurer(s) during the current year. Please see SSAP No. 62 for more information.

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

**Column 4 – Net Premiums Written:** The total of Column 1 plus Column 2 less Column 3.

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

*Crosscheck: the amount reported for this column should agree to 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. This premium written is earned, usually on a pro rata method, 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 calculation 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 calculation 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 unearned premium reserve at the end of the current year should be reported for each coverage type in this column.

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

**Column 7 – Net Premiums Earned During the Year:** The amount reported in this column is the total of Column 4 plus Column 5 less Column 6.

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

*Relevant literature: SSAP No. 53, Property-Casualty Contracts – Premiums, for accounting guidance.*

**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 company's current year claim activity. This 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 losses paid, net of salvage and subrogation received, on direct business.

**Column 2 – Reinsurance Recovered on Paid Losses:** Enter reinsurance recovered during the year.

**Column 3 – Reinsurance Recoverable on Paid Losses:** Enter the amount of reinsurance recoverable from the reinsurer on losses already paid by the company. Loss recoveries billed to the reinsurer but uncollected and included in the asset account "Reinsurance Recoverable on Paid Losses and Loss Adjustment Expenses" on Page 2, Line 9 are included in this column.

**Column 4 – Net Losses Paid:** The total of Column 1 less Column 2 less Column 3.

**Column 5 – Net Losses Unpaid, December 31, Current Year:** Enter the liability for unpaid losses (Reported and IBNR) for each coverage type at the end of the current year.

*Crosscheck: The amount reported on Line 3 should agree to Liabilities & Policyholders Surplus (Page 3), Line 1.4, Column 1.*

**Column 6 – Net Losses Unpaid, December 31, Prior Year:** Enter the liability for unpaid losses (Reported and IBNR) for the prior year as reported on the prior year Annual Statement.

*Crosscheck: The amount reported on Line 3 should agree to Liabilities & Policyholders Surplus (Page 3), Line 1.4, Column 2.*

**Column 7 – Losses Incurred During the Year:** The amount is the calculated total of Column 4 plus Column 5 less Column 6.

*Crosscheck: The amount reported on Line 3 should agree to 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 each coverage type.

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### General Interrogatories

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

**Interrogatory 6 – Insurance In-force:** This disclosure summarizes insurance in force before and after reinsurance and the current year activity showing the amount of insurance accepted and the amount withdrawn, expired and canceled during the year.

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

**Column 2 - Written or Renewed:** This amount should include the insurance coverage for all new business written during the year and the amount of coverage renewed during the year. The balance is added to the prior year gross in force amount.

**Column 3 - Expirations or Cancellations:** This amount should include the insurance coverage for all cancellations and the amount of coverage expired during the year. The balance is deducted from the prior year net in force amount.

**Column 4 - Gross In-force, December 31 Current Year:** The balance on this line 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 insurance coverage ceded to a reinsurer.

**Column 6 - Net In-force, December 31 Current Year:** The balance on this line is the total of Column 4 *less* Column 5. This amount represents insurance in-force after reinsurance at the end of the reporting year. This Net In Force amount is used to calculate the amount required to carry an aggregate excess of loss, pursuant to Tennessee County Mutual Act, Section 13.

**Column 7 – Policy Count:** Report the policy count of net insurance in-force.

**Column 8 - Having not more than 1 year to run:** Report the net in-force amount applicable to policies with terms of 12 months or less.

**Column 9 - Having more than 1 year to run and not more than 3 years to run:** Report the net in-force amount of coverage applicable to policies with terms greater than 12 months but less than 36 months.

**Column 10 - Having more than 3 years to run:** Report the net in-force amount applicable to policies with terms greater than 36 months.

*Crosscheck: the sum of Cols 8 + 9 + 10 should equal Column 6.*

**Interrogatory 11 – Largest gross aggregate amount insured in any one risk without any deduction for reinsurance:** This is the amount of a largest coverage of a single insurance policy in the current year.

**Interrogatory 12(a) – Largest retained amount of risk on any single risk:** This is the amount of a single risk that has the largest retained amount of risk on any single risk. For example, a

## 2016 Annual Statement Instructions for Tennessee County Mutual

company had a reinsurance contract which allowed the company to cede to its reinsurer when the risk was over \$40,000 (in other words, the company's net retention was \$40,000). If that year, the company experienced a loss in the amount of \$60,000, the largest retained amount of risk on any single risk would be \$40,000. This is because the company retained \$40,000 and ceded \$20,000 to its reinsurer per the reinsurance contract.

**Interrogatory 13(b) – What is the amount of an aggregate excess of loss reinsurance policy?:** This is the amount of an aggregate excess of loss coverage per the insurance contracts. The answer should be the amount of aggregate excess of loss coverage in all layers that the Company has. For example, if the company's aggregate excess of loss reinsurance covers the losses in excess of \$25,000 retention for \$75,000. And the company's second layer of aggregate excess of loss reinsurance covers the losses in excess of \$100,000 for \$150,000. The company should answer \$225,000 (sum of \$75,000 and \$150,000).

Generally the information may be found in the "**Coverage and Limits**" section of the reinsurance contract. Then it is under the "**Aggregate Excess of Loss**" part which usually contains the 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 dollars..." Since the reinsurers' liability is the lesser between the two amounts, a comparison of the two amount must be performed and a 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 company depending on the agreement in the contract.

**2016 Annual Statement Instructions for Tennessee County Mutual**

**Schedule T – Exhibit of Premiums Written**

**Column 1 – Active Status** – Report “L” for each county that the Company is authorized to write the insurance business in, otherwise, please report “N”.

*Crosscheck: General Interrogatories, Page 7.2, Question 14*

**Column 2 – Direct Premiums Written**

*Crosscheck: Total to equal Underwriting & Investment Exhibit – Part 2A, Page 6, Column 1*

**Five-Year Historical Data**

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

Note: Data does not have to be provided for the year of 2006 and prior due to the change of annual statement in 2007.

## 2016 Annual Statement Instructions for Tennessee County Mutual

### Schedule A – Part 1, Real Estate Owned

This schedule 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 sheets (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 properties occupied by the company and 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 company 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. Use the postal service's two-letter code for the appropriate state. If the property is located outside the United States, list the city or province in Column 2 and the country in Column 3.

**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) *less* any amounts recovered subsequent to acquiring title. Recovered amounts would include proceeds from the sale of rights or privileges in connection with the property. If the property was acquired through foreclosure include amounts transferred from the mortgage loan *plus* amounts expended for taxes, and insurance, and any other amount paid to put the property in good repair to obtain clear title.

**Column 7 – Amount of Encumbrances** – Enter the amount of outstanding debt (excluding accrued interest expense payable) at December 31 of the current year that is specifically secured by the parcel of real estate.

**Column 8 – Book Value Less Encumbrances** – This 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 to Assets (Page 2), Line 4.1 and the amount reported in this column for Line 0299 should agree to 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 other expenses capitalized.

## 2016 Annual Statement Instructions for Tennessee County Mutual

**Column 11 – Amounts Received During Year** – Include 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 that reduce the book value.

**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 (after acquiring title). Also include any increase or reduction in encumbrances.

**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 on Home Office property. Companies are required to charge themselves an imputed rent for the estimated fair rental value of space owned and occupied by the company 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 or interest expense incurred on encumbrances.

## 2016 Annual Statement Instructions for Tennessee County Mutual

### Schedule A – Part 2, Real Estate Acquired During Year

This schedule 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. Use the postal service's two-letter code for the appropriate state. If the property is located outside the United States, list the city or province in Column 2 and the country in Column 3.

**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) *less* any amounts recovered subsequent to acquiring title. Recovered amounts would include proceeds from the sales of rights or privileges in connection with the property. If the property was acquired through foreclosure, include amounts transferred from the mortgage loan *plus* amounts expended for taxes, and insurance, and any other amount paid to put the property in good repair to obtain clear title.

**Column 7 – Amount of Encumbrances** - Enter the amount of outstanding debt (excluding accrued interest expense payable) at December 31 of the current year that is specifically secured by the 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** - This represents the admitted value for each property. Book value is the actual cost of the property *plus* capitalized improvements, *less* depreciation, *less* encumbrances (reported in column 7).

**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 (after acquiring title). 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.

## 2016 Annual Statement Instructions for Tennessee County Mutual

### Schedule A – Part 3, Real Estate Sold During Year

This schedule reports all real estate sold during the year. In addition, it reports the gain or loss on each transaction. Any real estate bought or sold during the current year should be reported on Schedule A – Part 2 or 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. Use the postal service's two-letter code for the appropriate state. If the property is located outside the United States, list the city or province in Column 2 and the country in Column 3.

**Column 4 – Disposal Date** – Include the date the real estate was sold for each property listed. The date should be listed in month, day, year format (MM/DD/YYYY).

**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) less any amounts recovered subsequent to acquiring title. Recovered amounts would include proceeds from the sales of rights or privileges in connection with the property. If the property was acquired through foreclosure, include amounts transferred from the mortgage loan plus amounts expended for taxes, and insurance, and any other amount paid to put the property in good repair 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. Examples include impairments and 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** - This 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 disposition *less* any proceeds used to retire related encumbrances. Also include amounts received on sale of rights and privileges relating to the property.

**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.*

## 2016 Annual Statement Instructions for Tennessee County Mutual

**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 would 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. This column should *not* include depreciation expense or interest expense incurred on encumbrances.

### 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, Line 4.1 and 4.2, Column 2, should be carried over to this line.

**Line 2 – Increase (Decrease) by Adjustment** –

- a.) The amount from Schedule A – Part 1, Column 10, Line 9999 should be carried over to this line.
- b.) The amount from Schedule A – Part 3, Column 7, Line 0199 should be carried over to this line.

**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** –

- a.) The amount from Schedule A – Part 1, Column 12, Line 9999 should be carried over to this line.
- b.) The amount from Schedule A – Part 3, Column 8, Line 0199 should be carried over to this line.

**Line 5 – Total Profit (Loss) on Sales** – The amount from Schedule A – Part 3, Column 11, Line 0199 should be carried over to this line. This should also agree to 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 carried over to this line.

**Line 7 – Book Value, December 31, Current Year** – Line 1, *Plus/Minus* Line 2, *Plus* Line 3, *Plus* Line 4, *Plus* Line 5, *Less* Line 6. This amount should agree to Schedule A – Part 1, Column 8, Line 9999 and Assets – Page 2, Line 4.1 and 4.2.

## 2016 Annual Statement Instructions for Tennessee County Mutual

### Schedule B – Part 1, Mortgage Loans Owned

This schedule is 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 company which are secured by liens on real estate. Schedule B – Part 1 contains both long-term and short-term mortgage loans. Mortgage-backed securities and qualifying credit tenant loans are reported with bonds in Schedule D.

**Column 1 – Loan Number** – Indicate the mortgage number assigned by the company 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 actually recorded. If the city is unknown, report the county in Column 2. Use the postal service's two-letter code for the appropriate state. If the property is located outside the United States, list the city or province in Column 2 and the country in Column 3.

**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, a subsidiary or an affiliate, enter "E." If the loan was made directly to a subsidiary or affiliate, enter "S." If neither of these conditions exist, leave the column blank.

**Column 5 – Date Acquired** – Enter the date (MM/DD/YYYY) the mortgage loan was acquired (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 adjusted for any unamortized premium or discount and any unamortized fee income required to be recognized over the life of the loan (Ex., Points). 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. Do not include mortgage loans with other than first liens as admitted asset. However, the total book value for all mortgage loans should agree to Assets, Page 2, Line 3.1 *plus* Line 3.2. The total statement value for all mortgage loans should agree to Assets, Page 2, Line 3.1 *plus* Line 3.2 *less* Line 26 *less* Line 27.

*Crosscheck: The amount reported on Line 9999 should agree to Assets (Page 2), Line 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.

**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. Report only the company's pro rata share of the appraised value for loans subject to a participation agreement.

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

## 2016 Annual Statement Instructions for Tennessee County Mutual

**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.

*Crosscheck: The amount reported in this column for Line 9999 should equal Assets – Page 2 – Line 3.1 plus Line 3.2 less Line 26 and Line 27.*

### General Interrogatory

The general interrogatory requires the company to report all of the mortgage loans shown in Schedule B – Part 1 in one of four categories:

- 1. Mortgages in good standing** – This applies to loans on which all the original basic terms of the loan are being met by the borrowers.
- 2. Restructured mortgages** – This includes commercial mortgage loans on which the basic terms such as interest rate, maturity date, collateral, or guaranty have been restructured since 1986 or later as a result of actual or anticipated delinquency. This would only include restructured loans whose basic terms are being met in accordance with the restructuring agreement.
- 3. Mortgages with overdue interest over 90 days, not in the process of foreclosure** – This includes mortgages upon which interest is overdue more than 90 days or upon which taxes or other liens are delinquent more than one year.
- 4. Mortgages in the process of foreclosure** – This applies to loans in the process of being foreclosed or voluntarily conveyed by the borrower to the lender. It also includes loans in which transfer of title is awaiting expiration of redemption or moratorium period.

*In addition to the above, the insurer must also indicate the total unpaid taxes and accrued interest for each category.*

## 2016 Annual Statement Instructions for Tennessee County Mutual

### **Schedule B – Part 2, Mortgage Loans Sold, Transferred or Paid In Full During Year**

This schedule reports all mortgage loans sold, transferred or paid in full during the year.

**Column 1 – Loan Number** – Indicate the mortgage number assigned by the company 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 actually recorded. If the city is unknown, report the county in Column 2. Use the postal service's two-letter code for the appropriate state. If the property is located outside the United States, list the city or province in Column 2 and the country in Column 3.

**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, a subsidiary or an affiliate, enter "E." If the loan was made directly to a subsidiary or affiliate, enter "S." If neither of these conditions exist, leave the column blank.

**Column 5 – Year Acquired** – Enter the date the company originally acquired the mortgage loan (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.

**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. For mortgage transferred to another category, report only the amounts received up to the time of transfer.

**Column 10 – Profit or (Loss) on Sale** – Report any market gain or loss realized from the sale, transfer or maturity of the mortgage. The total of this column should equal the Underwriting and Investment Exhibit-Part 1B, Page 5.1, Line 4, Column 1.

*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 – Part 1 and 2 and assures 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 carried over to 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 subsequent to the time the mortgage loan was originally acquired (ex. Additional lendings) are to 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.

**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 carried over to this line. This 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 reflected 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 Owned**

Schedule D - Part 1 is an inventory of all bonds owned as of the current year-end. It contains various descriptive information for each bond including interest rate, interest due date, maturity date, and acquisition date. It includes valuation information such as par value, market value, actual cost and book value. Income information provided includes 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 (Asset Page) 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 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...) should be reported as bonds. In addition, Certificates of Deposit (CDs) that have maturity dates over one (1) year from the Annual Statement date must be reported here.

**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 brokers confirmation or the certificate. If bonds are "serial" issues, give 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. For example, 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 would 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. Use the following format MM/YY.

**Column 6 – Book Value** – This value represents the bond value as recorded on the company'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: Line 9999 for this column should agree to Underwriting and Investment Exhibit– Part 1B (Page 5.1), Line 1, Column 3.*

## 2016 Annual Statement Instructions for Tennessee County Mutual

**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.

**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: Line 9999 for this column should agree to 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 year-end for bonds that are not in default. Accrued interest on bonds in default should be reported in Column 13.

*Crosscheck: Line 9999 for this column should agree to 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** – 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** – 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** – This column represents the admitted value of all 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 the current year-end. It contains various descriptive information for each stock including number of shares, par value, book value, rate per share, statement value and cost. It 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).

Please note that how the preferred stocks will be admitted on the Annual Statement depending on the alphanumeric NAIC designation. If preferred stocks are “redeemable” and has the designation 1 or 2, it should be admitted at “book value”. If they are 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 “lower of book or fair value”.

**Column 1 – CUSIP Identification** - CUSIP numbers for all publicly purchased issued securities is available from the brokers’ 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-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** – This value represents the bond value as recorded on the company’s general ledger.

*Crosscheck: Line 9999 for this column should agree to Underwriting and Investment Exhibit–Part 1B (Page 5.1), Line 2, Column 3.*

**Column 6 – Rate per Share** – The amount in this column represents the amount per share used in determining the *statement value* and is multiplied times the number of shares reflected in column 3 to obtain the statement value in column 7. Preferred stock is admitted on the Annual Statement at its market value reduced for non-admitted amounts due to investment limitations. Generally, this column will be the market value per share.

**Column 7 – Statement Value** – 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 8). A rate should be obtained from a registered U. S. exchange (your broker should be able to provide this information).

## 2016 Annual Statement Instructions for Tennessee County Mutual

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

*Crosscheck: Line 9999 for this column should agree to 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 declared by the issuer before year-end but not received as of year-end.

*Crosscheck: Line 9999 for this column should agree to 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 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-end. Mutual Funds reported on Schedule D – Part 2 are those funds whose underlying assets are NOT comprised entirely of bonds. Mutual funds whose underlying assets are comprised entirely of bonds are classified as bonds on Schedule D-Part 1. It contains various descriptive information for each common stock including number of shares, par value, book value, rate per share, statement value and cost. It 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 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.

**Column 1 – CUSIP Identification** - CUSIP numbers for all publicly purchased issued securities is available from the brokers' 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: Line 9999 for this column should agree to 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 may 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.

## 2016 Annual Statement Instructions for Tennessee County Mutual

*Crosscheck: Line 9999 for this column should agree to 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 declared by the issuer before year-end but not received as of year-end.

*Crosscheck: Line 9999 for this column amount should agree to 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 in 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.”

## 2016 Annual Statement Instructions for Tennessee County Mutual

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

This schedule reports the total of all acquisitions of bonds 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. 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 is 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 public placements use trade date, not settlement date. For private placements, use 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 recorded in this column. For bond acquisitions, this column is blank.

**Column 6 – Actual Cost** – These amounts represent 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 (see 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 recorded 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** – Accrued interest and dividends declared but unpaid which were acquired by the insurer in its purchase of the bond or stock are reported here.

## 2016 Annual Statement Instructions for Tennessee County Mutual

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

This schedule reports the totals of all disposals of bonds and stocks that occurred during the current year. 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 appearing in Part 4 also includes the interest and dividends on bonds and stocks sold, the consideration received and profit or loss realized on disposal. The profit and loss amounts can be reconciled to the Underwriting and Investment Exhibit - Part 1B bond reductions include maturities, partial redemptions, calls and periodic principal payments under credit tenant loans, single class and multi-class securities.

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

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

**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 reflects the name of the entity that acquired the security. If the transaction is a maturity or a redemption, then this should be denoted in column 4. If a security was called before maturity, state the call price. Periodic principal payments, as with single class securities, could be labeled "principal receipt", "scheduled redemption", "paydown" or a 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** – These amounts represent 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, this column should correspond to amounts previously shown in Schedule D Part 1, column 10. For preferred stocks and common stocks, these correspond 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 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, respectively.

## 2016 Annual Statement Instructions for Tennessee County Mutual

**Column 10 – 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.

**Column 11 – Profit or (Loss) on Disposal** – The profit or (loss) on disposal is the consideration in column 6 less the book value at disposal date in column 9. The total for this column should agree to the Underwriting and Investment Exhibit–Part 1B, column 1, lines 1 through 3.

*Crosscheck:*

*Line 1999 should agree to the Underwriting and Investment Exhibit-Part 1B (Page 5.1), Line 1, Column 1.*

*Line 2999 should agree to the Underwriting and Investment Exhibit-Part 1B (Page 5.1), Line 2, Column 1.*

*Line 3999 should agree to 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 total interest received on bonds and dividends received on each preferred and common stock disposed of during the year including the accrued dividends received as part of the disposition.

## 2016 Annual Statement Instructions for Tennessee County Mutual

### **Schedule D – Part 5, Bonds and Stocks Acquired During The Current Year and Fully Disposed of During The Current Year**

Bonds and stocks that were both acquired in and disposed of during the current year are reflected in detail in Schedule D - Part 5. This 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 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 disposed of.

**Column 3 – Date Acquired** - For public placements use trade date. For private placements, use 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 recorded in this column.

**Column 8 – Actual Cost** – These amounts represent the original cost of acquiring bonds and stocks. The cost includes 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** – Disclose 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 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.

## 2016 Annual Statement Instructions for Tennessee County Mutual

**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 actually received on bonds and the dividends received on preferred and common stocks from the date acquired through the disposal date. This amount 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.

## 2016 Annual Statement Instructions for Tennessee County Mutual

### Schedule E – Cash and Cash Equivalents

The schedule displays banks, trusts and savings and loan associations in which the company has maintained cash balances during the year. The amount of interest received during the current year, the amount of interest accrued at December 31, the rate of interest earned on the account and the year-end reconciled *book* balance is disclosed for each institution presented. Cash equivalents such as certificates of deposit, money market and other short-term investments are also reported on this schedule.

Cash includes funds on hand (i.e., petty cash), the reconciled book balances in outstanding checking and savings accounts, certificates of deposits in bank or other similar financial institutions with maturity dates within one year or less from the acquisition date.

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 under this definition. In case of certificate of deposit, the certificate of deposit with 'original maturity' one year or less will qualify in this section. Original maturity means original maturity to the company holding the investment. For example, a one-year certificate of deposit purchased one year from maturity will qualify as cash equivalents. However, a two-year certificate of deposits purchased 21 months ago does not become a cash equivalent when its remaining maturity is three months. Cash equivalents can include short-term investments and money market funds.

Long-term certificate of deposit should not be included in this schedule. It should be reported in Schedule D and treated as a bond.

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

*Crosscheck: the amount reported on this line should agree to Assets Page, (Page 2), Line 5, Column 1.*

*Relevant literature: SSAP No. 2, Cash Drafts, and Short-term Investment.*

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

**Line 2999** – The total should include cash equivalents such as short-term certificates of deposit (with original maturity less than one year), money market, 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 should include cash maintained in the company's office such as petty cash.

**Column 1 – Description** – Enter the full name and location of the depository. If the item relates to a certificate of deposit, 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, this would apply to certificates of deposit or time deposits.

## 2016 Annual Statement Instructions for Tennessee County Mutual

**Column 3 – Amount of Interest Received During Year** – Enter the interest income collected during the current year. The total should generally agree to 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 to 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 to Assets (Page 2), Line 5, Column 1.

**Totals of Depository Balances on the Last Day of Each Month During the Current Year** – Enter the reconciled *book* 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**

Reporting entities shall disclose the compensation of all individuals who were on the entity's payroll. The compensation is including, but not limited to, salaries, commissions, insurance benefits and retirement account contributions, as well as all local, state and federal taxes associated with such compensation.

**Part 3**

**Director Compensation**

Reporting entities shall also disclose 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 is including, but not limited to, salaries, commissions, insurance benefits and retirement account contributions, as well as all local, state and federal taxes associated with such compensation.

**Part 4**

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.