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**INSTRUCTIONS FOR COMPLETING INSURANCE  
COMPANY FINANCIAL STATEMENTS**

**"DRAFT VERSION FOR FIRST REVIEW ONLY"**

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**Submitted to:**

Ministry of Finance and Economy  
Head of Insurance Department  
Republic of Armenia

**Submitted by:**

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## General Instructions

Line titles and headings of the various statement items and lines are, in general, self-explanatory and, as such, constitute instructions. Specific further instructions are prescribed for items and lines about which there may be some questions as to content. Any entry for which no specific instruction is given should be reported in accordance with sound accounting principles and in a manner consistent with any related items that are covered by specific instructions. Such entries must be fully explained in an attached note or notes to the financial statements.

The format of these financial statements has been designed to facilitate data capture. Therefore, **do not** change the captions for pre-printed items, lines or headings and **do not** enter new lines between or after pre-printed lines. Entries for which there are no pre-printed line titles must be reported with a descriptive title on the lines left blank specifically for the entry of write-in items. If there is not sufficient space to accommodate all the write-ins to be reported, additional pages should be added, sequentially numbered with reference to the page to which the additional information is related, e.g., 3.1, 3.2, 3.3, etc.

In most instances the information appearing in the various sections of the financial statements will be sufficient to meet on-site examination needs of the Ministry of Finance and Economy (MOFE). However, it is the responsibility of each company to maintain adequate accounting records to support the detail of all financial transactions, enabling verification of statement values. Company management should perform periodic reviews to determine that these records are accurate, sufficiently detailed, and retained in an orderly manner, in safe storage, for at least the period of time between statutory financial examinations.

The following general rules also apply:

1. The name of the company must be plainly written or stamped at the top of each page and also upon all inserted reports or other attachments.
2. Printed statements or copies produced by some duplicating process, in lieu of the actual blanks required by the MOFE, will be accepted if they are submitted on a good grade of paper of light color with legible and permanent characters **and** if such statements and all supporting schedules contain all of the information required, with the same headings and titles, and are of the same size and arrangement, page for page, column for column and line for line, as the blanks required by the MOFE.
3. Blank schedules or exhibits or pages will not be considered properly filed. All forms must be completed. If there is nothing to report, write "NONE."
4. Report all amounts in Thousands of Drams. Companies shall round to the nearer thousand. It is expected that the failure of items to add to the summary totals will reflect this treatment since the summary totals (such as total assets, total liabilities,

net income, etc.) should be the actual totals reflected on the company's books, rounded to the nearer million.

5. All reported amounts less than zero shall be represented by the use of parentheses.
6. Any statements or reports not presented in conformity with these rules and other applicable instructions will be considered as not having been filed and, if not corrected on a timely basis, i.e., prior to the required time for filing, the appropriate penalties will be levied.

## **Assets**

### ***Line 1 – Bonds***

All evidences of indebtedness for an original term in excess of one year shall be reported at historical cost, adjusted to account for any discount or premium (If the original term was one year or less, the investment is recorded in Line 7). For bonds purchased at a discount or premium, the book value shall be amortized value, i.e., the purchase price adjusted to such sum which will yield, over the remaining life of the bond, the effective rate of interest at which the bond was originally purchased. Accordingly, for bonds only, any accrual of discount or amortization of premium during the year is recognized in current income and not as a receivable.

Bonds which are not publicly traded, and which are in good standing as to timely payment of principal and interest and not otherwise in default, will be valued at amortized cost. Bonds that are publicly traded will be reported at market values. Any interest income on bonds due or accrued as of the balance sheet date will be reported in line 12 of the Assets.

### ***Line 2 – Shares***

Shares that carry a fixed dividend or rate of return shall be reported at historical cost. Securities of companies (including a parent, subsidiary or affiliate) that are listed on a securities exchange shall be recorded at market value that shall equal. The closing bid price at the later of either the close of trading on the balance sheet date or date most nearly preceding the same. If the market value is less than actual cost, the difference shall be recorded as an unrealized capital loss. If the market value is greater than the original cost, the difference shall be recorded as an unrealized capital gain. Any dividends declared but unpaid shall be recorded as dividends receivable in Line 12.

### ***Line 3 – Mortgage Loans on Real Estate***

The unpaid balance of direct loans secured by first liens or powers' of attorney on improved real property shall be reported. Any interest income due or accrued as of the balance sheet date is reported as investment income due or accrued in Line 12 of the Assets.

***Line 4.1 – Home Office Real Estate***

All real property owned by the company that is used by the company in the conduct of its operations shall be reported here on the same basis as investment real estate (see below), except that the value shall equal adjusted book value – the book value after accounting for capitalized improvements and depreciation. If a portion of any property is used for purposes other than conduct of business operations, that portion shall be allocated to investment real estate and valued as such. The basis upon which the allocation is made shall be disclosed as a note to the financial statements.

***Line 4.2 – Investment Real Estate***

All real property owned by the company which is not used for the purpose of conducting its business should be recorded in the ledger at its historical cost, plus capitalized improvements, less any accumulated depreciation. If any such real estate includes property acquired in satisfaction of debt, it shall be reported at a value equal to the amount of unpaid principal, accrued interest, unpaid taxes at the time of acquisition and costs of foreclosure. All costs of maintaining investment real estate and property acquired in satisfaction of debt (including depreciation) should be reported as investment expenses in the year such expenses are incurred.

The reported value of each property in this classification shall be its fair market value; except, property acquired in satisfaction of debt shall be carried at a value not to exceed the lower of the current appraised value or book value until such time as the company converts such property to an income-producing asset. If the company does not convert such property to an income-producing asset within one year from the date of acquisition or otherwise dispose of the property, it shall be treated as an asset-not-admitted.

The proceeds of any loan which is secured by any lien or other security interest in such property shall be included as a part of the cost of the property, but the outstanding balance of such loan shall be deducted in determining the net asset value. Such adjustment will be made as separately stated deductions from the ledger balance. Since any such encumbrance is a lien on a specific asset, the amount of the lien is not reported as a general liability of the company under Liabilities.

***Line 5 – Contract Loans***

Any loans that are made upon the security of some tangible asset or written guarantee of a bank, are entered at book value. If the collateral for such loan is not a tangible asset which the insurance company could itself carry as an admitted asset, the loan shall not be allowed as an asset and shall be reported as an asset-not-admitted.

***Line 6 – Cash***

The true balance of currency in the physical possession of the company at its head office or at any of its branch offices should be reported. Currency not under the control of officers or

employees of the company -- such as cash advances to agents or brokers – shall not be allowed as an asset.

The reconciled balance of all deposits with solvent commercial banks that are in the name of the company and freely and immediately withdrawable by the company at its order shall be entered. Any sum, which is not so payable, shall not be allowed as an asset and a note to the financial statement shall be attached stating why such sums are not freely withdrawable. Any deposit with any insolvent bank is reported as an asset-not-admitted. Do not include any interest due or accrued; such is entered under investment income due or accrued.

Deposits with solvent commercial banks which are in the name of the company, but which are not withdrawable until a time specified in the deposit agreement shall be reported at book value. Do not include interest due or accrued; such is entered under investment income due or accrued. Any time deposit or certificate of deposit with an insolvent bank shall be entered as an asset-not-admitted.

***Line 7 – Short Term Investments***

Any Treasury Bills of the Republic of Armenia should be entered here, as well as any evidence of indebtedness (so-called commercial paper) issued by a corporation which, when issued, was for a term of one year or less. Such loans to corporations that are for a period in excess of one year should be reported under the caption "bonds." Any of these instruments which was originally issued at a discount to its value at maturity should be recorded at book value (original cost) and any accrual of discount reported as investment income due or accrued. Report any commercial paper that is uncollectible for any reason as well as any for which there has been a default as to timely payment of either principal or interest as a non-admitted asset. The interest income due or accrued for such investments in default is treated as an asset-not-admitted.

For short-term investments purchased from other than the issuer (so-called secondary market transactions), the book value is the company's cost and any premium or discount in connection with the purchase is recorded in investment income due or accrued.

***Line 8 – Other Invested Assets***

Only those classes of investments not clearly includable in some other category shall be included here. The full book and non-ledger values of investments reported here will not be allowed unless the company can demonstrate that such is a sound investment and has received approval for the same from the MOFE. A complete description of each type of investment shall be given.

***Line 9 – Aggregate Write-Ins***

Include here any investments that do not appear to be includable in any other category.

***Line 10 – Receivable from Securities Dealers***

If the company has any amount due from or to security dealers, the net amount is reported here. Only a payable to the same broker may be reduced by any receivable due.

***Line 12 – Investment Income Due or Accrued***

All investment income earned by the company, but not yet paid is reported here.

For an investment with an original maturity in excess of one year from its date of issue, which was purchased by the company at either a premium or discount to its value at maturity, the accrual of discount or amortization or premium, as the case may be, shall be reported through an adjustment to book value of the investment with a corresponding increase or decrease to investment income received.

Dividends on shares declared to be ex-dividend on or before the balance sheet date where said dividend is payable after the balance sheet date shall be reported as investment income due, as shall any dividends paid at or before the balance sheet date, but not yet received by the company.

***Line 13.1 – Premiums Receivable***

Include here all premiums owed by agents or insureds.

***Line 13.2 – Agents Debit Balances***

Include here any advances to agents.

***Line 13.3 – Audit and Retrospective Premiums***

Record here any premiums that are receivable because of an audit of the policyholder or because more premium is due according to the terms of the policy.

***Line 14 – Due from Reinsurers***

Include here all sums due from reinsurers on account of paid claims that are recoverable, commissions and expense allowances due, and experience rating and other refunds due. Do not report here any sums that are due on claims not yet paid or any credits against unearned premium reserves on account of reinsurance ceded. These items are reductions in liability items on Page 3 of the financial statements.

***Line 15 – Profits Tax or Foreign Taxes Recoverable***

Report any taxes that are refundable.

***Line 16 – Guaranty Funds on Deposit***

Report here any deposits made with reinsurers or other such sums.

***Line 17 – Receivables from Affiliates***

Report here any amounts due from affiliated companies.

***Line 18 – Electronic Data Processing Equipment***

Report here the depreciated value of all EDP equipment owned.

***Line 19 – Fixed Assets Excluding Motor Vehicles***

Report the depreciated value of all fixed assets.

***Line 20 – Motor Vehicles***

Report the depreciated value of motor vehicles owned by the company.

***Line 21. – Aggregate Write-Ins for Other Invested Assets***

Include here any assets that are not investments or clearly includable under other categories of assets.

***Line 22. Subtotal, Lines 12-21***

***Line 24. Total Assets, Line 11 + Line 22***

## **Liabilities and Equity**

### **EQUITY ACCOUNTS**

***Line 1 – Common Capital Stock***

The true amount of the company's paid up capital shall be reported here.

***Line 2 – Additional Paid In Capital and Other Contributed Funds***

Report any other capital paid in, including cost of shares issued in excess of par value.

***Line 3 – Special Surplus Funds and Other Allocated Funds***

Report here any reserves against profits and any other special allocation of earnings.

***Line 4 – Undistributed Retained Earnings***

This is the accumulated undistributed gain or the loss accumulated.. It is equal to the gross equity of the company (assets less liabilities) after deducting all contributed capital and special purpose equity accounts.

***Line 5 – Surplus as Regards Policyholders***

This is the net worth of the company and it is the sum of lines 1-4.

**LIABILITIES**

The purpose of this page is to report all liabilities of the company.

***Line 11 – Loss Reserves***

Report the net amount (i.e., after deducting any reinsurance estimated to be recoverable) of reserves for unpaid claims that had not yet been paid at year-end. Only reinsurance that is fully in compliance with applicable regulations may be deducted. Also include the estimated liability for claims incurred but not reported. Reserves for reinsurance payable on both paid and unpaid losses should also be included. The company's method or methods of estimating unpaid claims should be reasonable and the supporting working papers maintained for at least the period between examinations.

Any salvage or subrogation recoverable shall not be deducted from loss reserves until such time as such have been reduced to cash or its' equivalent.

***Line 12 – Loss Adjustment Expense Reserves***

Report the net amount of reserves for any unpaid loss adjustment expenses at year-end. This will comprise two components: "allocated" loss adjustment expenses which are expenses associated with a particular claim or claims, and "unallocated" loss adjustment expenses which are expenses connected with the overall operation of the claim department. The company's method of determining reserves for either of these components should be reasonable and the supporting working papers should be maintained for at least the period between examinations.

***Line 13 – Unearned Premium Reserve***

All premiums written during the year for which the policy will continue beyond the balance sheet date shall be fully reserved in an amount not less than the percentage of the gross premium equal to the ratio the unexpired term of the contract bears to the whole term of the contract. Any unearned premium reserve credit on account of reinsurance ceded shall be deducted from the gross unearned premium reserves only to the extent that the assuming reinsurer maintains such reserves.

***Line 14 – Liability for Audit and Retrospective Premium***

Any liability that the company y has on account of audit or retrospective premiums should be reported here. This would include any portion of audit or retrospective premiums that are unearned.

***Line 15 – Liability for Policyholder Dividends and Refunds***

Any sums which are due policyholders on account of dividends declared but unpaid or refunds of premium should be reported here.

***Line 16 – Reserve for Life and Annuity and Other Long-Term Contracts***

The actuarial reserve for life and annuity policies should be included here. Also, any liability on long-term contracts should be reported.

***Line 17 – Advance Premiums***

Any premiums paid in advance of the date when premiums are payable must be included as a liability on this line.

***Line 18 – Other Liabilities (Including Due to Securities Dealers)***

Any other liabilities to policyholders should be reported on this line with an appropriate explanation. Any funds payable to securities dealers should be reported on this line.

***Line 19 – Total of Liabilities to Policyholders and to Securities Dealers***

This is the sum of lines 11-18.

***Line 21 – Unearned Investment Income***

Any investment income of the company which has been received during the year but which will not be fully earned at year-end must be reported here if it has not already been deducted from the appropriate asset or income account.

***Line 22.1 – Borrowed Money and Interest Thereon (Due in One Year or Less)***

The amount the company owes on money it has borrowed together with the amount of interest due and payable at the date of the statement if the remaining period of the loan is one year or less.

***Line 22.2 – Borrowed Money and Interest Thereon (Due in More than One Year)***

The amount the company owes on money it has borrowed together with the amount of interest due and payable at the date of the statement if the remaining period of the loan is more than one year.

***Line 23 – Commissions Owed and Contingent Commissions***

Report here the liability for commissions owed but not yet paid and also include a reserve for contingent commissions payable, i.e., commissions which are based upon the profitability of the business produced, its persistency, loss ratio development, or other criteria. The company may not reduce this liability merely by netting it against agents' balances. In order to properly report on a net basis, the company may do so only on an agent-by-agent basis. (In other words, the commissions owing to one agent may not be netted against the balances due from another agent). Additionally, the company first must have an agreement which permits it to withhold the payment of future commissions; then it must actually record the transaction by charging a particular agent's or broker's account; and, finally the balances owed to the company must be reduced by charging commissions owed against the most recent balances owed by the particular agent or broker (thus, the assets will be netted against commissions due before any balances past due are reduced).

***Line 24 – Unpaid Taxes***

Report here any liability for unpaid taxes owed to any branch of government

***Line 25 – Other Unpaid Expenses***

All of the company's ordinary operating expenses that are unpaid at the end of the year, both due and accrued, should be reported.

***Line 26 – Profits Tax Payable***

Any profits tax payable based on taxable income for the reporting period should be included here.

***Line 27 – Due to Reinsurers***

Any payments due reinsurers at year-end but not yet paid shall be reported. These amounts should not be netted against sums due from reinsurers. Also report here any commissions received by the company, on account of reinsurance ceded, which are not fully earned. This would include commissions pursuant to any reinsurance agreement where the company receives a provisional commission and losses incurred under the reinsurance agreement are charged back against the provisional commission according to some formula. In such a case, the whole amount

of the provisional commission received would be reported here as a liability. Additionally, no credit against loss or loss adjustment expense reserves may be taken under such a contract.

***Line 28 – Provision for Uncollectible Reinsurance***

The company should report here any sums due from reinsurers that are of doubtful collectibility.

***Line 29 – Stockholders Dividends***

Report here any dividends to stockholders that have been declared but not yet paid.

***Line 30 – Amount Withheld or Retained by the Company for Others***

Any funds that the company holds that are for the benefit of persons or firms other than the company should be reported here.

***Line 31 – Remittances and Items Not Yet Allocated***

This is essentially a suspense account to properly reserve transactions that have not yet been recorded.

***Line 32 – Payable to Parent, Subsidiary or Affiliates***

Any amounts so payable should be reported here, unless they are reported elsewhere.

***Line 33 – Aggregate Write-Ins' for Other Liabilities***

All liabilities of the company at year-end that are not otherwise reported shall be recorded here. For example, funds held by the company under reinsurance treaties or amounts payable for investments acquired.

## **INCOME STATEMENT AND CAPITAL ACCOUNTS**

The purpose of this schedule is to report the company's income for the year on DIRECT BUSINESS ONLY – REINSURANCE ASSUMED AND CEDED WILL BE REPORTED IN A SEPARATE INCOME STATEMENT.

***Line 1.1 – Premiums Written***

All premiums written by the company are reported here.

***Line 1.2 – Return Premiums on Cancelled Policies***

If a policy is cancelled, any premium that was included in premiums written should be deducted.

***Line 1.3 – Increase in Unearned Premium Reserve***

The difference between the unearned premium reserve in the current period and the unearned premium reserve for the prior period is deducted. If, however, the unearned premium reserve decreased between periods, the difference is added.

***Line 1.4 – Increase in Audit and Retrospective Premium Liabilities***

The difference between this liability in the current period and this liability for the prior period is deducted. If, however, this liability decreased between periods, the difference is added.

***Line 1.5 – Premiums Earned***

This is the result from combining Lines 1.1- 1.4.

***Line 2.1 Losses Paid***

Report the net loss and loss adjustment expenses paid -- that is actual claim payments made.

***Line 2.2. Increase in Case Reserve***

Report here the increase (or decrease) between reporting periods on reserves for unpaid claims.

***Line 2.3 – Increase in Bulk IBNR and IBNER Reserves***

Report here the increase (or decrease) between reporting periods on reserves for IBNR plus IBNER reserves

***Line 2.4 – Losses Incurred***

This is the result from combining Lines 2.1 – 2.3.

***Line 3.1 – Defense and Cost Containment Expenses***

This is the amount of money the company has paid in order to defend law suits respecting claims or to minimize the ultimate costs of claim payments.

***Line 3.2 – All Other Loss Adjustment Expenses***

This is the amount of money the company paid in order to determine the amount of claim payments plus all other expenses paid in order to settle claims and make loss payments.

***Line 3.3 – Increase in Liability for Defense and Cost Containment Expenses***

This is increase (or decrease) in reserves for this item. This reserve should be based upon the company's experience for bulk reserves and case-basis estimates for other reserves

***Line 3.4 – Increase in Liability for All Other Loss Adjustment Expenses***

This is increase (or decrease) in reserves for this item. This reserve should be based upon the company's experience for bulk reserves and case-basis estimates for other reserves.

***Line 3.5 – Loss Adjustment Expenses Incurred***

This amount is the result of combining Lines 3.1- 3.4.

***Line 4.1 – Experience Refunds and Policyholder Dividends Paid***

This is sum that was paid during the reporting period for experience refunds or dividends to policyholders.

***Line 4.2 – Increase in Liability for Experience Refunds and Policyholder Dividends Paid***

If the company has experience refunds which are payable but have not yet been paid, a reserve should be established. Any increase (or decrease) between reporting periods is reported here.

***Line 4.3 – Experience Refunds and Policyholder Dividends Incurred***

This is the result of combining Lines 4.1 and 4.2.

***Line 5 – Increase in Life and Annuity Reserves and Other Long term Contract Reserves***

The net increase (or decrease) between reporting periods should be reported here.

***Line 6 – Underwriting Expense Incurred***

All expenses of the company that are not expenses related to claim payments or investments that are incurred during the reporting period are reported on this line. Such items will typically be commissions, salaries, rent and utilities and other operating expenses not related to claims or investments.

***Line 7 – Write Ins' for Underwriting Deductions***

Any other expenses (or revenue) related to the underwriting operations of the company should be included here if it has not been reported elsewhere.

***Line 8 – Net Underwriting Income***

This is the result of combining Lines 1.5, 2.4, 3.5, 4.3 and Lines 5 –7.

***Line 9.1 – Investment Income Earned***

The investment income earned during the period should be reported here. This includes adjustments for investment income due but unpaid and for unearned investment income.

***Line 9.2 – Investment Expenses***

All expenses incurred during the reporting period that are related to the investment activities of the company should be reported here.

***Line 10 – Net Realized Capital Gains (or Losses)***

This is the profit or loss realized from the actual sale of invested assets during the reporting period.

***Line 11 – Net Investment Gail (or Loss)***

This line represents the result of the investment activity of the company during the reporting period. It is result of combining Lines 9.1, 9.2 and 10.

***Line 12 – Gain (or Loss) From Charge Off Of Agents Balances***

If an agent owes a company money on account of premiums due or commissions that must be repaid, then the company establishes a receivable for this item. If it appears that the sum is uncollectible, the company charges it off and records a loss to the income statement in the period in which the charge off occurred. Of course, if the amount charged off is later recovered, then the company would have a gain for that period.

***Line 13 – Aggregate Write-Ins for Miscellaneous Income***

There may arise unusual income activity for companies that are not always anticipated. If a company has such unusual income activities, it should be reported here.

***Line 14 – Total Other Adjustments***

The result of combining Lines 12 and 13 is reported here – either as a deduction from income or as an income item.

***Line 15 – Net Income Before Taxes***

This is the result of combining Lines 8,11 and 14. It is the pretax operating profit of the company.

***Line 16 – Profits Tax***

Any profits taxes levied on income should be reported here.

**Line 17 – NET INCOME**

This is the company's net income for the reporting period. It is Line 15 minus Line 16.

**Line 18 – NET GAIN OR LOSS ON REINSURANCE**

Combine the net result from the separate reinsurance income statements.

**Line 18 – SURPLUS AS REGARDS POLICYHOLDERS AS OF \_\_\_\_\_ 20xx**

This is the company's net worth (i.e., total capital and surplus) as of the prior period reporting date.

**Line 19 – Net Income from Line 17**

This is the company's net income from Line 17, above.

**Line 20 – Net Unrealized Capital Gains and Losses**

The net of all unrealized increases and decreases in the value of the company's investments is reported here. These are, as noted, unrealized only. Any gain or loss that has actually been realized is reported on Line 10.

**Line 21 – Net Change in Unrealized Gains or Losses from Foreign Exchange**

If the company has any assets or liabilities whose values have changed due to fluctuation in the rate of foreign exchange during the reporting period, that new difference should be reported here. Do not report losses already reported in Line 20 above.

**Line 22 – Net Change in Provision for Uncollectible Reinsurance**

If the company has made a provision on Line 28 of the Liabilities Statement for reinsurance of doubtful collectibility, any change in that amount between periods should be reported here. If the provision has increased, that is a deduction from new worth and if the provision has decreased that is an increase to net worth.

**Line 23 – Cumulative Effect of Changes in Accounting Principles**

Insurance companies may change their accounting method. If this change results in any increase or decrease in the value of assets or liabilities that has not been otherwise accounted for in this reconciliation, it shall be reported here. In order to determine the new effect of such changes, the company must prepare the financial statements under the new accounting system and the prior accounting system (this statement is called a pro forma statement). The difference in net worth

(capital and surplus) between the two statements that is a result of the new accounting system should be reported.

***Line 24 – Capital Paid In***

Any additional capital paid in during the period is reported here. This could be the result of issuing new shares or a change in par value of existing shares.

***Line 25 – Additional Paid in Capital***

Any additional capital paid in during the period is reported here. This could be the result of issuing new shares for a cost in excess of par value or a change in par value of existing shares.

***Line 26 – Decrease (or Increase) in Non-Admitted Assets***

If assets of the company are disallowed for some reason, based on the Regulations of the MOFE, that is reduction in capital and surplus. The company must make provision for this in its statements. The change in that amount between reporting periods is reported here.

***Line 27 – Dividends to Stockholders***

Any dividend payments made to stockholders is reported here.

***Line 28 – Write Ins' for Other Gains, Losses and Surplus***

Any other transaction or situation which results in a change in net worth – if it has not previously reported – should be reported here.

***Line 29 – Change in Surplus as Regards Policyholders***

This is the change in net worth during the reporting period. It is the sum of Lines 19 – 28.

***Line 30 – Surplus as Regards Policyholders***

This is the sum of Line 18 and 29. This amount should agree with Line 5 in the Liabilities and Equity Statement.

## **Statement of Changes In Financial Position**

The purpose of this exhibit is to reconcile changes between reporting periods in the company's working capital-- cash and demand deposits. All sources of funds must be reported and all applications of funds must also be reported. Keep in mind that since this is a statement that is derived from cash flows, transactions that are not in cash or do not require cash must be

eliminated from the reported items in the financial statements. THIS STATEMENT INCLUDES CASH PROVIDED AND APPLIED FOR ALL BUSINESS, BOTH DIRECT AND REINSURANCE.

**CASH PROVIDED FROM OPERATIONS:**

***Line 1 – PREMIUM COLLECTED***

Premiums paid in cash including reinsurance assumed paid in cash and deducting reinsurance ceded paid in cash.

***Line 2.1 – LOSSES PAID***

Claim payments made including payments on reinsurance assumed and deducting claims reimbursed on reinsurance ceded.

***Line 2.2 – LOSS ADJUSTMENT EXPENSES PAID***

Expenses for adjusting claims

***Line 3 – UNDERWRITING EXPENSES PAID***

All expenses of the company for underwriting operations

***Line 4 – OTHER UNDERWRITING INCOME OR (EXPENSES)***

Any other income or expense related to underwriting operations.

***Line 5 – CASH PROVIDED FROM UNDERWRITING***

Line 1 – Line 2.1- Line 2.2 – Line 3 – Line 4 = Cash Provided From Operations

***Line 6 – INVESTMENT INCOME***

This is the net amount of investment income received less investment expenses paid during the reporting period.

***Line 7 – OTHER INCOME***

This is amount of all other income received in cash by the company during the reporting period and not reported elsewhere.

***Line 8 – DIVIDENDS AND EXPERIENCE REFUNDS TO POLICYHOLDERS***

This is the amount of dividends and other experience refunds paid to policyholders during the reporting period.

***Line 9 – TAXES PAID***

This is the amount of taxes on profits actually paid during the reporting period.

***Line 10 – TOTAL CASH PROVIDED FROM OPERATIONS***

This is the sum of Line 5+ Line 6 + Line 7 – Line 8 – Line 9 + Total Cash provided from operations.

***Line 11 – PROCEEDS FROM SALES OR MATURITIES OF INVESTMENTS***

This is the cash received on any investments that were sold, matured or otherwise redeemed during the reporting period. Report here (on separate lines) proceeds from Bonds, Preferred and Common Stocks, Mortgage Loans, Real Estate, Short Term Investments, Other Invested Assets, Net Gains or (Losses) on Cash, and any other proceeds and enter the sum.

***Line 12 – COST OF INVESTMENTS ACQUIRED***

This is the cash paid to acquire investments. Report here (on separate lines) proceeds from Bonds, Preferred and Common Stocks, Mortgage Loans, Real Estate, Short Term Investments, Other Invested Assets, and any other purchases of investments and enter the sum.

***Line 13 – TOTAL INVESTMENT PROCEEDS***

This is Line 11 minus Line 12.

**OTHER CASH PROVIDED**

***Line 14***

Any other sources of cash during the reporting period should be entered here. Report sources such as payments from affiliates, funds borrowed, and any other sources of funds not otherwise included in this exhibit.

**OTHER CASH APPLIED**

***Line 15***

Applications of cash not otherwise reported are entered here. Such items will include dividends to shareholders, payments to affiliates, repayments of borrowed money, and any other payments.

***Line 16 – Net Cash from Other Activities***

This is the result of Line 14 minus Line 15.

**RECONCILIATION:**

***Line 17. NET CHANGE IN CASH***

This is the result of Line 10 + Line 13 + Line 16.

***Line 18. CASH AT THE BEGINNING OF THE PERIOD***

This is the amount of cash reported for the immediately previous reporting period.

***Line 19. CASH AT THE END OF THE REPORTING PERIOD***

This is the amount of cash reported at the end of the reporting period. The difference between Lines 18 and 19 should equal Line 17.