# EXHIBITS AND SCHEDULES OF THE CASUALTY ANNUAL STATEMENT BLANK

BY

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The paper entitled "Casualty Insurance Accounting and the Annual Statement Blank," *Proceedings*, Volume XV, Page 141, deals with the most important sections of the annual statement blank from the financial standpoint, namely, Income and Disbursements, Assets and Liabilities and the Underwriting and Investment Exhibit. The present paper is designed to supplement this by treating the various exhibits and supporting schedules of the blank* from the accounting point of view.

The exhibits and schedules herein described fall naturally into four groups:

*Exhibits*

Exhibit of Premiums.
Recapitulation (of Premiums).
Business in (State) during the year.

*Miscellaneous Schedules*

Special Deposit Schedule.
Schedule of All Other Deposits.
Schedule E—Reinsurance Recoverable.

*Investment or Asset Schedules*

Schedule A—Real Estate.
Schedule B—Mortgage Loans.
Schedule C—Collateral Loans.
Schedule D—Bonds and Stocks.
Schedule N—Bank Balances.
Schedule X—Unlisted Assets.

*Underwriting and Reserve Schedules*

Schedule H—Salvage Recovered.
Schedule G—Development of Unpaid Fidelity and Surety Losses and Claims Outstanding at the end of the seven prior calendar years.

*All references are to the "Convention Edition" blank for 1928. Since changes in the blank are made yearly, item number references may change in future editions. The changes effective for the 1929 blank are contained and discussed in an "Addenda," Page 167.

Schedule J—Current year's development of Unpaid Fidelity and Surety Losses and Claims Outstanding at the end of the previous year.

Schedule K—Fidelity and Surety Losses and Claims reported during the current year and outstanding at the end of the current year.

Schedule P—Liability and Compensation Loss Reserves.

Schedule O—Test of Loss Reserves (excluding Liability and Compensation) as of end of previous year in the light of developments during the current year.

The principal purposes of these exhibits and schedules are as follows:

(1) To provide insurance departments with sufficient information to determine if companies are complying with state laws.

(2) To provide insurance departments with sufficient data and details to permit a partial audit of the financial statement during the interim between regular periodic examinations which are usually made at intervals of from three to five years.

(3) To afford information for the general public and policy-holders, particularly as respects a company's investments.

The exhibits and schedules are taken up individually in the order in which they appear in the statement blank.

## Section VI—Exhibit of Premiums—Recapitulation—State Business (Page 7)

(See Exhibit 1, Page 133)

*Exhibit of Premiums*—This exhibit shows the development of gross premiums in force from the beginning to the end of the year.

Gross Business—Columns (1)-(5) The detail of the development of reinsurance ceded premiums is not provided for, the net amount of such premiums in force being entered in Column (6). The difference between Column (5) and Column (6) produces the net premiums in force, Column (7).

The purpose of this exhibit is to furnish a rough check of the correctness of the premiums in force. The accuracy of the unearned premium reserve is dependent upon the correctness of the data in this exhibit and since the unearned premium reserve

# EXHIBIT 1

Form 3 ANNUAL STATEMENT FOR THE YEAR 1928 OF THE........................................................ 7
(Write or stamp name of Company)

## VI—EXHIBIT OF PREMIUMS

| CLASS | (1) In force Dec. 31, last year, without deducting Reinsurance | (2) Written or Renewed during the year, per Col. 1, Page 3 | (3) Total | (4) Deduct Expirations and Cancellations | (5) In force at the end of the year | (6) Deduct amount Reinsured (Schedule F) | (7) Net premiums in force |
|---|---|---|---|---|---|---|---|
| 1. Accident . . . . | | | | | | | |
| 2. Health . . . . . | | | | | | | |
| 3. Non-cancellable accident and health . . . . . | | | | | | | |
| 4. Auto liability . . . | | | | | | | |
| 5. Liability other than auto . . | | | | | | | |
| 6. Workmen's compensation . . | | | | | | | |
| 7. Fidelity . . . . . | | | | | | | |
| 8. Surety . . . . . | | | | | | | |
| 9. Plate glass . . . . | | | | | | | |
| 10. Burglary and theft . | | | | | | | |
| 11. Steam boiler . . . | | | | | | | |
| 12. Machinery . . . . | | | | | | | |
| 13. Auto property damage . . . | | | | | | | |
| 14. Auto collision . . . | | | | | | | |
| 15. Property damage and collision other than auto . . . | | | | | | | |
| 16. (a)................................ | | | | | | | |
| 17. TOTALS . . . | | | | | | | |

## RECAPITULATION

18. †Gross premiums (less reinsurance) upon all unexpired risks, viz:

| | (1) Running one year or less from date of policy | (2) | (3) Running more than one year from date of policy | (4) | (5) | (6) | (7) |
|---|---|---|---|---|---|---|---|
| | Premiums | Amount unearned (50 per cent) | Premiums | Amount unearned (pro rata) | Advance premiums (100%) | Total premiums per Column 7 Above | Total unearned premiums |
| 19. Accident . . . . . . | | | | | | | |
| 20. Health . . . . . . . . | | | | | | | |
| 21. NON-CANCELLABLE ACCIDENT AND HEALTH . . | | | | | | | |
| 22. Auto liability . . . . | | | | | | | |
| 23. LIABILITY OTHER THAN AUTO . . . . | | | | | | | |
| 24. WORKMEN'S COMPENSATION . . . | | | | | | | |
| 25. Fidelity . . . . . . | | | | | | | |
| 26. Surety . . . . . . . | | | | | | | |
| 27. Plate glass . . . . . | | | | | | | |
| 28. Burglary and theft . . | | | | | | | |
| 29. Steam boiler . . . . . | | | | | | | |
| 30. Machinery . . . . . | | | | | | | |
| 31. AUTO PROPERTY DAMAGE . . . . | | | | | | | |
| 32. Auto collision . . . . | | | | | | | |
| 33. PROPERTY DAMAGE AND COLLISION OTHER THAN AUTO . . | | | | | | | |
| 34. (a)................................ | | | | | | | |
| 35. TOTALS . . . | | | | | | | |

| BUSINESS IN________ DURING THE YEAR | (1) *Gross premiums less return premiums on risks written or renewed during the year | (2) *Gross Losses Paid |
|---|---|---|
| 36. Accident . . . . . . . . . . . | | |
| 37. Health . . . . . . . . . . | | |
| 38. Non-cancellable accident and health . . . | | |
| 39. Auto liability . . . . . . . | | |
| 40. Liability other than auto . . . . . | | |
| 41. Workmen's compensation . . . . . . | | |
| 42. Fidelity . . . . . . . . . . | | |
| 43. Surety . . . . . . . . . . | | |
| 44. Plate glass . . . . . . . . . | | |
| 45. Burglary and theft . . . . . . . | | |
| 46. Steam boiler . . . . . . . . . | | |
| 47. Machinery . . . . . . . . . | | |
| 48. Auto property damage . . . . . . . | | |
| 49. Auto collision . . . . . . . . | | |
| 50. Property damage and collision other than auto . | | |
| 51. (a).............................................. . . | | |
| 52. TOTALS . . . . . . . . . | | |

†By gross premiums is meant the aggregate of all the premiums written in the policies or renewals in force. Are they so returned in this statement? Answer:........................

(a) Enter "Credit," "Live Stock" or "Sprinkler."

*Less reinsurance in admitted companies.

constitutes, on the average, about 40% of the total liabilities of a company, the importance of this exhibit is obvious.

The exhibit is subject to audit as follows:

Column (1) The amounts in this column check with the corresponding amounts in Column (5) of the previous year's exhibit.

Column (2) The amounts in this column check with the amounts in Items 4-20, Column (1), Page 2 of current statement.

Columns (4) and (6) upon which depend the correctness of Columns (5) and (7) are not subject to audit. Column (4) is made up of (a) gross premiums on expired policies; (b) net additional (or refund) premiums developed by audit on expired policies; (c) gross premiums on policies not taken and (d) gross (not return) premiums on policies canceled during the policy period. In general, it will be found that the amounts in Column (4) of the current year's statement will be substantially the same as those in Column (2) of the previous year's statement. This is a very rough and approximate rule and is not applicable where premium volume is rapidly increasing or decreasing or where there are unusual factors present such as a material change in the proportions of one year and three year business written. It does, however, furnish a rough check in most instances when applied to all lines combined. In case of Column (6) it will generally be found that the amounts vary according to premium writings. If net reinsurance premiums written increase during a particular year, the amount of reinsurance premiums in force will tend to increase in substantially the same ratio and vice versa. However, as in case of Column (4), this is a very rough and approximate rule and does not always hold.

*Recapitulation.* This exhibit is a summary of the unearned premium reserve computation. The sums of the amounts in

Columns (1), (3) and (5) check with the amounts in Column (6). The amounts in Column (6) check with the amounts in Column (7) of the "Exhibit of Premiums." The sums of the amounts in Columns (2), (4) and (5) check with the amounts in Column (7). The sum of the amounts in Column (7)—Item 35—checks with Item 25, Page 5 of statement.

Although this exhibit shows unearned premium results on a net (gross less reinsurance ceded) premium-in-force basis, it is the general practice of companies to compute the gross and reinsurance unearned premium reserves separately.

There are two methods of computing the unearned premium reserve—the half-yearly method and the semi-monthly method.* Under the first method the reserve under policies running for one year or less is ½ or 50% of the premiums in force and under policies running more than one year the fraction for the unexpired term, assuming all policies to have been issued in the middle of the year. Using policies issued for a period of three years, for example, the unearned premium reserve factors are:

Policies issued in current year—5/6ths
" " one year prior —3/6ths or ½
" " two years prior—1/6th

Under the second method the reserve is computed for each month of issue (or expiration), assuming all policies to have been issued in the middle of the month. The unearned factors for one year policies are:

December issues—23/24ths
November issues—21/24ths
January issues —1/24th

In case of three year policies the factors are:

December of current year........71/72nds
November " " " .......69/72nds
January of current year........49/72nds
December one year previous......47/72nds
November " " " ......45/72nds
January one year previous......25/72nds
December two years previous.....23/72nds
November " " " .....21/72nds
January two years previous..... 1/72nd

*The semi-monthly method is sometimes referred to as the pro rata method.

In case of companies computing the unearned premium reserve by the half-yearly method, the amounts in Column (2) will, of course, be one-half the amounts in Column (1). No check can be applied to Column (2) in case of companies computing the unearned premium reserve by the semi-monthly method.

The reserve on December 31st will be greater or less than fifty per cent., according to whether a larger proportion of business is written in the second or first half of the year. In most cases, however, the total of Column (2) will be less than one-half the total of Column (1) since in case of Compensation and the Automobile lines the proportion of business written in the first half of the year is greater than the proportion written in the second half of the year.

Column (4) is not subject to check. In general, the amounts in Column (4) will approximate one-half the amounts in Column (3) regardless of whether the unearned premium is computed by the half-yearly or the semi-monthly method. However, many exceptions are found to this rule and no reliable check is available without referring to original unearned premium records.

Where a company employs the semi-monthly method the expression "50 per cent." in parenthesis in Column (2) should be changed to read either "semi-monthly basis" or "pro rata basis."

*Business in . . . . . . . . . during the year.* This exhibit has no reference to nor does it check with any part of the financial statement. It is merely a statement of business transacted during the year in the particular state to which report is being made. The requirements of the various states are not uniform as respects the basis of compiling this exhibit. Most states provide for the reporting of gross premiums written (direct and reinsurance assumed) less reinsurance premiums ceded to companies authorized to transact business in the state and gross losses paid (direct and reinsurance assumed) less reinsurance received on business ceded to authorized companies. While no reference is made to salvage it is generally assumed that losses should be reduced by net salvage received. A few states require the compilation of the exhibit on the basis of earned premiums and incurred losses.

## Special Deposit Schedule (Page 10)

As a condition precedent to receiving authority to transact business, certain states require that a deposit of securities* be made with a designated state official for the exclusive benefit of policyholders (and creditors) in the particular state. This schedule contains a description and other details of securities so deposited. It has no direct bearing upon the financial statement and is not of sufficient importance to justify its reproduction.

## Schedule of All Other Deposits (Page 10)

As a condition precedent to receiving authority to transact business, certain states require that a company must have a deposit of a certain amount in the form of approved securities with the proper official of its home state or some other state for the benefit of all policyholders (and creditors). United States branches of foreign companies are required to make similar deposits in some state in lieu of capital. The foregoing types of deposits are known as general deposits. As in the case of special deposits, they have no direct bearing upon the financial statement and, accordingly, the schedule is not reproduced.

## Schedule A (Pages 11 and 12 of Statement)

(See Exhibit 2, Page 138)

This schedule consists of three parts as follows:

Part 1—Real estate owned at the end of the year
" 2—Real estate acquired (including additions and improvements) during the year
" 3—Real estate sold (including payments on "sales under contract" during the year

The schedule as a whole balances between years according to the following formula:

*In lieu of a deposit of securities some states permit the filing of a corporate surety bond.

# EXHIBIT 2

Form 2

ANNUAL STATEMENT FOR THE YEAR 1928 OF THE ____________________
(Write or stamp name of Company)

## SCHEDULE A—Part 1

*Showing all Real Estate* OWNED *December 31 of Current Year, the Cost, Book and Market Value thereof, the Nature and Amount of all Liens and Incumbrances thereon, including Interest Due and Accrued, Etc.*

| No. | Quantity, Dimensions and Location of Lands; Size and Description of Buildings (Nature of Incumbrances, if any, including interest due and accrued) | Date Acquired | Name of Vendor | Amount of Incumbrances | *Actual Cost | Book Value, Less Incumbrances | Market Value, Less Incumbrances | Increase, by Adjustment, in Book Value During the Year | Decrease, by Adjustment, in Book Value During the Year | Gross and Net Income, Taxes, Repairs and Expenses for Each of Last Three Years — 1926 — Gross Rental, Less Interest on Incumbrances | 1926 — Expended for Taxes, Repairs and Expenses | 1926 — Net Income | 1927 — Gross Rental, Less Interest on Incumbrances | 1927 — Expended for Taxes, Repairs and Expenses | 1927 — Net Income | 1928 — Gross Rental, Less Interest on Incumbrances | 1928 — Expended for Taxes, Repairs and Expenses | 1928 — Net Income | Rental Value of Space Occupied by Company | Superintendent of Insurance's Certificates of Extension — Date of Issue | Superintendent of Insurance's Certificates of Extension — Extended To |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | | |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) | (13) | (14) | (15) | (16) | (17) | (18) | (19) | (20) | (21) | (22) |
| | | | Totals | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | | |

*Including cost of acquiring title, and, if the property was acquired by foreclosure, such cost shall include the amounts expended for taxes, repairs and improvements prior to the date on which the company acquired the title.

Form 3

ANNUAL STATEMENT FOR THE YEAR 1928 OF THE ____________________
(Write or stamp name of Company)

## SCHEDULE A—Part 2

*Showing all Real Estate* ACQUIRED *During Year, and Showing also Amounts Expended for Additions and Permanent Improvements Made During said Year to* ALL *Real Estate*

| No. | Quantity, Dimensions and Location of Lands; Size and Description of Buildings (or) Nature of Additions and Permanent Improvements Made During Year (Nature of incumbrances, if any) | Date Acquired | How Acquired | Name of Vendor | *Cost to Company During Year | Amount Expended for Additions and Permanent Improvements During Year | Book Value Dec. 31, of Current Year Less Incumbrances |
|---|---|---|---|---|---|---|---|
| (1) | (2) | (3) | (4) | (5) | $ (6) | $ (7) | $ (8) |
| | | | | Totals | $ | $ | $ |

## SCHEDULE A—Part 3

*Showing all Real Estate* SOLD *During Year, Including Payments During Year on "Sales under Contract"*

| No. | Quantity, Dimensions and Location of Lands; Size and Description of Buildings (Nature of Incumbrances, if any) | Date Sold | Name of Purchaser | *Cost to Company | Increase, by Adjustment, in Book Value During Year | Decrease, by Adjustment, in Book Value During Year | Book Value at Date of Sale, Less Incumbrances | †Amount Received, Including Payments on Sales Under Contract | Profit on Sale | Loss on Sale | Gross Rental During Year, Less Interest on Incumbrances | Expended for Taxes, Repairs and Expenses During Year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) | (13) |
| | | | Totals | $ | $ | $ | $ | $ | $ | $ | $ | $ |

*Including cost of acquiring title, and, if the property was acquired by foreclosure, such cost shall include the amounts expended for taxes, repairs and improvements prior to the date on which the company acquired the title.
†Indicate payments on "sales under contract" in Part 3 by inserting the letter "P" after the number of the parcel.

| | | | |
|---|---|---|---|
| | Book Value December 31st of previous year | | $........ |
| Add: | Profit on sales, Part 3.................... | | ........ |
| | Increase by adjustment, Part 1............ | | ........ |
| | Increase by adjustment, Part 3............ | | ........ |
| | Cost of acquirals, Part 2—Columns (6) and (7)........................... | | ........ |
| | Decrease of encumbrances................ | | ........ |
| | Total...................... | | $........ |
| Deduct: | Loss on sales, Part 3............ | $........ | |
| | Decrease by adjustment, Part 1.. | ........ | |
| | Decrease by adjustment, Part 3.. | ........ | |
| | Consideration received on sales, Part 3.................. | ........ | |
| | Increase of encumbrances....... | ........ | $........ |
| | Difference—equals book value December 31st, current year | | $........ |

In addition to the general balance of the schedule, Part 3 balances as follows: The difference between the book value at date of sale and consideration received on sale equals the net profit or loss on sale, as the case may be.

In most instances the descriptions at the heads of the various columns are self-explanatory.* The following explanations and comments may be helpful to a clearer understanding of some parts of the schedule and some of the problems met with in practice in compiling the same.

## PART 1

Column (6): This column (actual cost) shows the gross cost, including encumbrances assumed, if any.

Column (20): There is some uncertainty as to just what the description (rental value of space occupied by company) contemplates. Most companies report the amount actually charged during the year to agree with the amount included for company occupancy in Item 29, Page 2. However, it would seem more logical to report the annual rental charged itself by the company

*Column numbers are not contained in Schedules A, B, C, D and G as printed in the convention annual statement blank but for convenience of reference have been included in these schedules as reproduced in this paper.

as of the end of the year. This amount may or may not check with the amount included in Item 29, Page 2.

It should be noted that the amounts for company occupancy included in Items 29, Page 2, and 33, Page 3, will not agree since a portion of the rent expense is included in disbursement items other than Item 33, particularly in Items 19-22 and 32 (See *Proceedings*, Vol. XV, Number 32, Pages 152 and 153).

### Part 2

Column (6): *Cost to Company during year.* This column calls for gross cost to company of real estate as it stands at date, or dates, of purchase, *i. e.*, the cost of the land, if unimproved, or cost of land and improvements, if improvements exist at date of purchase, including, of course, cost of acquiring title. It should not include any amounts expended for additions and permanent improvements subsequent to date of acquiring title.

Column (7): *Amount expended for Additions and Permanent Improvements during year.* This column calls for amounts expended during year for additions and permanent improvements made subsequent to acquiring title and which are charged to capital (asset) account. Ordinary repairs and expenses charged to expense account should not be reported in this column, but in Column (18) "Expended for taxes, repairs and expenses," of Part 1.

Column (8): *Book Value December 31 of current year, less encumbrances.* There is some uncertainty as to just what purpose this column serves, but it is probably intended to show by a comparison between cost and book value, whether or not adjustments of capital (asset) value are reasonable.

In filling out this column, only the book value corresponding to that portion of the real estate appearing on this part of the schedule should be considered. For example, if the transaction indicated on the schedule consists of capitalized permanent improvements, only the book value of the permanent improvements should be entered and not the total book value of the parcel.

### Part 3

Where profit or loss adjustments are made to bring the book value to the sale price, the amount to be entered in the "Book value at date of sale" column is the book value after the profit or loss adjustments have been made, *i. e.*, the sale price.

Where sale is made subject to existing encumbrances, the amount to be entered in the "Amount received" column is the sale price less the existing encumbrances.

Where, however, a sale is made of unencumbered real estate, the company taking a mortgage as part payment, the amount to be entered in the "Amount received" column is the gross sale price.

Sales under contract, while not of frequent occurrence, are very often incorrectly reported in the schedule. Where the agreed sale price and book value are the same, no complications arise. A pro rata amount is entered in the "Cost to company" column, and the amount of the payment in both the "Book value" and "Amount received" columns. Where the agreed sale price and book value differ, two methods of accounting are open.

It may be assumed that there is a proportionate profit or loss with each payment or it may be assumed that no profit or loss is to be considered until the final payment has been made.

In the first case, pro rata amounts of the cost and book value should be entered in the appropriate columns and the amount of the payment in the "Amount received" column. A pro rata profit or loss, according to whether the agreed sale price is more or less than the book value, will be shown in the profit or the loss column. In the second case, the amount of the payment (except for the final payment) should be entered in all three columns: "Cost," "Book value" and "Amount received." Proper adjustments of the amounts in the "Cost" and "Market value" columns of Schedule A, Part 1, should be made depending upon the accounting method adopted.

Checks between various data in the schedule and certain items of the financial statement follow:

The total of Column (7), Part 1—Book value less encumbrances—checks with Item 1, Page 4.

The difference between Columns (7) and (8)—Market value less encumbrances—Part 1, checks with Item 39 or Item 52, Page 4.

The sum of the totals of Column (9), Part 1 and Column (6), Part 3—Increase by adjustment in book value during year—checks with Item 39(a), Page 2.

The sum of the totals of Column (10), Part 1 and Column (7), Part 3—Decrease by adjustment in book value during year—checks with Item 57(a), Page 3.

The sum of the totals of Column (17), Part 1 and Column (12), Part 3—Gross rental less interest on encumbrances—checks with Item 29, Page 2.

The sum of the totals of Column (18), Part 1 and Column (13), Part 3—Expended for taxes, repairs and expenses during year—checks with the sum of Items 35 and 36, Page 3.

### Schedule B (Page 13 of Statement)

(See Exhibit 3, Page 143)

The schedule proper shows "all mortgage loans owned December 31 of current year, and all mortgage loans made, increased, discharged, reduced or disposed of during the year." In addition, there is provided a recapitulation or classification of loans by state and foreign country.

The schedule balances between years as follows:

| | | |
|---|---|---|
| | Amount unpaid December 31st of previous year—Column (8) .................. | $............ |
| Add: | Amount loaned during year—Column (9) ... | ............ |
| | Total ........................ | $............ |
| Deduct: | Amount paid on account or in full during year—Column (10) .................. | $............ |
| | Difference—equals amount unpaid December 31st of current year—Column (11) | $............ |

The various checks between the schedule and the financial statement follow:

The total of Column (8)—Amount unpaid previous year—checks with the total of Column (11) of the previous year's statement and also with Item 2, Page 4 of the previous year's statement.

The total of Column (11)—Amount unpaid current year—checks with Item 2, Page 4.

The totals of Columns (14) and (15)—Interest due and accrued—check with the respective amounts in Item 32, Page 4.

The total of Column (17)—Paid for accrued interest—checks with the inside amount of Item 22, Page 2.

The total of Column (16)—Gross interest received—less the

# EXHIBIT 3

Form 3

ANNUAL STATEMENT FOR THE YEAR 1928 OF THE ________________________________________
*(Write or stamp name of Company)*

## SCHEDULE B

*Showing all MORTGAGES OWNED December 31 of Current Year, and all Mortgage Loans Made, Increased, Discharged, Reduced or Disposed of During the Year*

| NUMBER | DATE | | RECORD OF MORTGAGE | | | | PRINCIPAL | | | | | | | | INTEREST | | | | | | | | | | VALUE OF LANDS MORTGAGED | VALUE OF BUILDINGS | AMOUNT OF FIRE INSURANCE HELD BY COMPANY ON THE BUILDINGS | LOCATION AND DESCRIPTION (State if this mortgage is being foreclosed, or if there are any prior liens) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Year Given | Year Due | State | County | Book | Page | Amount Unpaid Dec. 31 of Previous Year | | Amount Loaned During Year (A) | | Amount Paid on Account or in Full During Year (B) | | Amount Unpaid Dec. 31 of Current Year | | Date Due | Rate of | Amount Past Due Dec. 31 of Current Year | | Am't Accrued Dec. 31 of Current Year | | Gross Am't Rec'd During Year | | Paid for Accrued Interest on Mortgages Acquired During Year | | | | | |
| | | | | | | | Dollars | Cts. | Dollars | Cts. | Dollars | Cts. | Dollars | Cts. | | | Dollars | Cts. | Dollars | Cts. | Dollars | Cts. | Dollars | Cts. | Dollars | Dollars | Dollars | |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | | (9) | | (10) | | (11) | | (12) | (13) | (14) | | (15) | | (16) | | (17) | | (18) | (19) | (20) | (21) |
| | | | | Totals | | | | | | | | | | | | | | | | | | | | | | | | |

(A) Including all mortgages "purchased" or otherwise acquired during the year and all increases during the year on loans outstanding December 31 of previous year.
(B) Including mortgages under which company has secured title and possession by foreclosure.

## CLASSIFICATION

*Showing the Total Amount of Mortgage Loans on Real Estate in each State and Foreign Country*

| STATE | AMOUNT | | STATE | AMOUNT | | STATE | AMOUNT | | STATE | AMOUNT | | FOREIGN COUNTRY | AMOUNT | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | $ | | | $ | | | $ | | | $ | | | $ | |
| Totals, | $ | | | $ | | | $ | | | $ | | | $ | |

total of Column (17)—Paid for accrued interest—checks with the extended amount of Item 22, Page 2.

As a rule, no difficulty is experienced in preparing this schedule. Where foreclosure is taken on a mortgage, mortgage loans account is credited with the amount of the mortgage and interest on mortgage loans with the amount of interest due, the corresponding debit being to real estate account. Occasionally a mortgage is sold or a compromise settlement accepted for less than the face amount. In such event, the face amount of the mortgage should be entered in the "Amount paid" column, as the schedule makes no provision for profit or loss, and a footnote added showing the details. The net loss should be entered under Item 56(*d*), Page 3 as follows:

*Gross Loss on Sale or Maturity of Ledger Assets, Viz:*
(*d*) *Mortgage Loans*

### Schedule C (Pages 14 and 15 of Statement)

(See Exhibit 4, Page 145)

This schedule consists of three parts as follows:

Part 1—Collateral loans in force at end of year.
" 2—Collateral loans made during the year.
" 3—Collateral loans discharged in whole or in part during the year.

Provision is made in each part of the schedule for a record of all changes in collateral during the year. The purpose of this requirement is to show whether or not the collateral security was adequate at all times.

The schedule balances between years as follows:

| | |
|---|---|
| Amount loaned December 31st of previous year.................................. | $.............. |
| Add: Amount loaned during the year, Part 2—Column (6)............................ | .............. |
| Total........................... | $.............. |
| Deduct: Amount repaid during the year, Part 3—Column (6).......................... | $.............. |
| Difference—equals amount loaned December 31st, current year..................... | $.............. |

# EXHIBIT 4

Form 3

ANNUAL STATEMENT FOR THE YEAR 1928 OF THE ____________________

(Write or stamp name of Company)

## SCHEDULE C—Part 1

*Showing all Collateral Loans* **IN FORCE** *December 31 of Current Year, and all Substitutions of Collateral Thereon During said Year*

| No. | Description of Securities Held as Collateral December 31 of Current Year (Give in this column the number of shares of each block of stock and rate of interest and year of maturity of each bond held as collateral) | Par Value | Rate Used to Obtain Market Value | Market Value Dec. 31 of Current Year | Amount Loaned Thereon | Date of Loan | Maturity of Loan | Rate on Loan | Interest: Am't Past Due Dec. 31 of Current Year | Interest: Am't Accrued Dec. 31 of Current Year | Interest: Am't Received During Year | Substitutions of Collateral, viz: Collateral Substituted: Description | Date | Par Value | Market Value | Collateral Released: Description | Date | Par Value | Market Value | Name of Actual Borrower |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | $ | | $ | $ | | | | $ | $ | $ | | | $ | $ | | | $ | $ | |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) | (13) | (14) | (15) | (16) | (17) | (18) | (19) | (20) | (21) |
| | *Totals* | $ | ...... | $ | $ | ...... | ...... | ...... | $ | $ | $ | ...... | ...... | $ | $ | ...... | ...... | $ | $ | |

Form 3

ANNUAL STATEMENT FOR THE YEAR 1928 OF THE ____________________

(Write or stamp name of Company)

## SCHEDULE C—Part 2

*Showing All Collateral Loans* **MADE** *During the Year, and All Substitutions of Collateral Thereon During Said Year*

| | Description of Security Accepted as Collateral When Loan Was Made | Par Value | Rate Used to Obtain Market Value | Market Value at Date of Loan | Amount Loaned Thereon | Date of Loan | Maturity of Loan | Rate of Interest on Loan | Substitutions of Collateral, viz: Collateral Substituted: Description | Date | Par Value | Market Value | Collateral Released: Description | Date | Par Value | Market Value | Name of Actual Borrower |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | $ | | $ | $ | | | | | | $ | $ | | | $ | $ | |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) | (13) | (14) | (15) | (16) | (17) | (18) |
| | *Totals,* | $ | ...... | $ | $ | ...... | ...... | ...... | ...... | ...... | $ | $ | ...... | ...... | $ | $ | |

Note—Substitutions of collateral need be shown in detail in only one exhibit. Refer in each of the other exhibits to the number of the loan in the exhibit in which the substitution is shown and show the substitutions in Part 1 when possible.

## SCHEDULE C—Part 3

*Showing All Collateral Loans* **DISCHARGED** *in Whole or in Part During the Year, and All Substitutions of Collateral Thereon During Said Year*

| No. | Description of Collateral Released When Loan was Discharged. (In case of partial payments enter collateral released *only*) | Par Value | Rate Used to Obtain Market Value | Market Value at Date of Discharge | Amount of Loan Repaid | Date of Loan | Date of Repayment | Interest: Rate on Loan | Interest: Amount Received During Year | Substitutions of Collateral, viz: Collateral Substituted: Description | Date | Par Value | Market Value | Collateral Released: Description | Date | Par Value | Market Value | Name of Actual Borrower |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | $ | | $ | $ | | | | $ | | | $ | $ | | | $ | $ | |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) | (13) | (14) | (15) | (16) | (17) | (18) | (19) |
| | *Totals* | $ | ...... | $ | $ | ...... | ...... | ...... | $ | ...... | ...... | $ | $ | ...... | ...... | $ | $ | |

Note—Indicate partial payments in Part 3 by the letter "P" in number column.

The various checks between the schedule and the financial statement follow:

The total of Column (6), Part 1—Amount loaned—checks with Item 3, Page 4.

The totals of Columns (10) and (11), Part 1—Interest due and accrued—check with the respective amounts of Item 33, Page 4.

The sum of the totals of Column (12), Part 1 and Column (10), Part 3—Interest received—checks with Item 23, Page 2.

The preparation of this schedule presents no particular difficulties. In case a borrower defaults and the sale of the collateral does not realize a sufficient amount to pay off the loan, the loss should be shown in the manner indicated for showing the loss under a mortgage loan.

### Schedule D (Pages 16, 17, 18 and 19 of Statement)

(See Exhibit 5, Page 147)

This schedule consists of five parts as follows:

Part 1—Bonds owned at the end of the year.
" 2—Stocks owned at the end of the year.
" 3—Bonds and stocks acquired during the year.
" 4—Bonds and stocks sold, redeemed or otherwise disposed of during the year.

Summary of bonds and stocks by classification.

The schedule as a whole, balances between years according to the following formula:

| | | | | |
|---|---|---|---|---|
| | Book Value December 31st of previous year | | | $.......... |
| Add: | Profit on sales, | Part 4 | | .......... |
| | Increase by adjustment, | Part 1 | | .......... |
| | Increase by adjustment, | Part 2 | | .......... |
| | Increase by adjustment, | Part 4 | | .......... |
| | Cost of acquirals, | Part 3 | | .......... |
| | Total | | | $.......... |
| Deduct: | Loss on sales | Part 4 | $.......... | |
| | Decrease by adjustment, | Part 1 | .......... | |
| | Decrease by adjustment, | Part 2 | .......... | |
| | Decrease by adjustment, | Part 4 | .......... | |
| | Consideration received on sales, | Part 4 | .......... | $.......... |
| | Difference—equals book value December 31st current year | | | $.......... |

# EXHIBIT 5

16

Form 3

Bonds to be grouped in following manner and each group arranged alphabetically:
- Government
- State, Province, County, and Municipal
- Railroad
- Public Utilities
- Miscellaneous

Show sub-totals for each group

ANNUAL STATEMENT FOR THE YEAR 1928 OF THE ________________
(Write or stamp name of Company)

## SCHEDULE D—Part 1

*Showing All* BONDS *Owned December 31 of Current Year*

| DESCRIPTION Give complete and accurate description of all bonds owned. Including the location of all street railway and miscellaneous companies. If bonds are "serial" issues, give amount maturing each year | INTEREST Rate of | INTEREST *How Paid | YEAR OF Maturity | YEAR OF Option | Book Value | Par Value | Rate Used to Obtain Market Value | Market Value (excluding accrued interest) | Actual Cost (excluding accrued interest) | INTEREST Am't Due and Accrued Dec. 31 of Current Year, on Bonds not in Default | INTEREST Gross Amount Received During Year | Increase, by Adjustment, in Book Value During Year | Decrease, by Adjustment, in Book Value During Year | Amount of Interest Due and Accrued Dec. 31, Current Year, on Bonds in Default |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (1) | (2) | (3) | (4) | (5) | $ (6) | $ (7) | (8) | $ (9) | $ (10) | $ (11) | $ (12) | $ (13) | $ (14) | $ (15) |
| Totals | | | | | $ | $ | | $ | $ | $ | $ | $ | $ | $ |

*Insert initial letters of months in which interest is payable

Form 3

Stocks to be grouped in the following order and each group arranged alphabetically:
- Railroad
- Public Utilities
- Bank and Trust Company
- Miscellaneous

Show sub-totals for each group

ANNUAL STATEMENT FOR THE YEAR 1928 OF THE ________________
(Write or stamp name of Company)

## SCHEDULE D—Part 2

*Showing All* STOCKS *Owned December 31 of Current Year*

| No. of Shares | DESCRIPTION Give complete and accurate description of all stocks owned, including location of all street railway, bank, trust, and miscellaneous companies | Book Value | Par Value | Rate Per Cent. Used to Obtain Market Value | Market Value | Actual Cost | DIVIDENDS Rate of in Each of Last Three Years 1926 | 1927 | 1928 | DIVIDENDS Amount Received During Year | Increase, by Adjustment, in Book Value During Year | Decrease, by Adjustment, in Book Value During Year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (1) | (2) | $ (3) | $ (4) | (5) | $ (6) | $ (7) | (8) | (9) | (10) | $ (11) | $ (12) | $ (13) |
| | Totals | $ | $ | ...... | $ | $ | ...... | ...... | ...... | $ | $ | $ |

17

Form 3

ANNUAL STATEMENT FOR THE YEAR 1928 OF THE ________________
(Write or stamp name of Company)

## SCHEDULE D—Part 3

*Showing All Bonds and Stocks* ACQUIRED *During Year*

| DESCRIPTION (Full name and number of shares of each block of stock. Full name, rate of interest, and date of maturity of bonds) | Date Acquired | NAME OF VENDOR | Actual Cost (excluding accrued interest on bonds) | Par Value | Paid for Accrued Interest on Bonds Acquired During Year |
|---|---|---|---|---|---|
| (1) | (2) | (3) | $ (4) | $ (5) | $ (6) |
| | | Totals | $ | $ | $ |

## SCHEDULE D—Part 4

*Showing All Bonds and Stocks* SOLD, REDEEMED *or Otherwise* DISPOSED OF *During Year*

| DESCRIPTION (Full name and number of shares of each block of stock. Full name, rate of interest and date of maturity of bonds) | Date Sold | NAME OF PURCHASER | Consideration (excluding accrued interest on bonds) | Par Value | Actual Cost (excluding accrued interest on bonds) | Book Value at Date of Sale | Increase, by Adjustment, in Book Value During Year | Decrease, by Adjustment, in Book Value During Year | Profit on Sale | Loss on Sale | Interest and Dividends Received During Year (including accrued interest on bonds sold) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| (1) | (2) | (3) | $ (4) | $ (5) | $ (6) | $ (7) | $ (8) | $ (9) | $ (10) | $ (11) | $ (12) |
| | | Totals | $ | $ | $ | $ | $ | $ | $ | $ | $ |

19

Part 4 of the schedule balances as follows: The difference between the book value at date of sale and consideration received on sale equals the net profit or loss on sale, as the case may be.

The following are the various checks between the schedule and the financial statement:

The total of Column (6), Part 1 checks with Item 4 (bonds), Page 4.

The total of Column (3), Part 2 checks with Item 4 (stocks), Page 4.

The difference between—(a) the sum of the totals of Column (6), Part 1 and Column (3), Part 2 (book values), and (b) the sum of the totals of Column (9), Part 1, and Column (6) Part 2 (market values) checks with Item 40 or Item 53, Page 4.

The total of Column (11), Part 1—Interest due and accrued—checks with the extended amount of Item 34, Page 4.

The total of Column (6), Part 3—Paid for accrued interest—checks with the inside amount of Item 24, Page 2.*

The sum of the totals of Column (12), Part 1, Column (11), Part 2, and Column (12), Part 4—Gross interest and dividends received—less the total of Column (6), Part 3 checks with the extended amount of Item 24, Page 2.*

The sum of the totals of Column (13), Part 1 and the bond portion of Column (8), Part 4—Increases by adjustment—checks with Item 39(b), Page 2.

The sum of the totals of Column (12), Part 2 and the stock portion of Column (8), Part 4—Increases by adjustment—checks with Item 39(c), Page 2.

The sum of the totals of Column (14), Part 1 and the bond portion of Column (9), Part 4—Decreases by adjustment—checks with Item 57(b), Page 3.

The sum of the totals of Column (13), Part 2 and the stock portion of Column (9), Part 4—Decreases by adjustment—checks with Item 57(c), Page 3.

The bond portion of Column (10), Part 4 checks with Item 38(b), Page 2.

The stock portion of Column (10), Part 4 checks with Item 38(c), Page 2.

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*These checks will not apply for the 1929 statement blank because of changes to become effective in 1929. See "Addenda," Page 167 for superseding checks.

The bond portion of Column (11), Part 4 checks with Item 56(b), Page 3.

The stock portion of Column (11), Part 4 checks with Item 56(c), Page 3.

The schedule summary is of no particular consequence and is inserted merely for the convenience of insurance departments, some of which print this summary in lieu of a complete list of security holdings.

Before passing to other features of this schedule, reference should be made to the reporting of additional details in case of companies valuing bonds upon the amortization basis. The increases for accrual of discount and amortization of premiums are usually included in Columns (13) and (14), Part 1, and Columns (8) and (9), Part 4, with increases or decreases made for any other purpose (such as increases or decreases to adjust the book value up or down to the market value in case of bonds not subject to amortization, *i. e.*, perpetual bonds, bonds in default as to principle or interest and bonds not amply secured). Schedule D, Part 1 of the Life annual statement blank (Convention edition) contains additional columns for reporting the increases or decreases resulting exclusively from the amortized basis of valuation. These columns, however, are not incorporated in the Convention edition of the Miscellaneous (or Casualty) blank. They are, however, incorporated in the Connecticut blank and provide for the following data:

1. Effective rate of interest at which purchase was made.
2. Amortized or investment value December 31st of current year.
3. Increase in amortized value during the year.
4. Decrease in amortized value during the year.

Where a company values its bonds on the amortized basis, changes in market values do not affect surplus except in case of bonds not subject to amortization, and for the purposes of determining the amounts to be entered in Items 40 or 53, Page 4, as respects bonds, the book values are compared with the amortized values. The book and amortized values will be the same, provided a company adjusts its book values to market values in case of bonds not subject to amortization, since for such bonds the market value must be used as the amortized value. Otherwise, there will be an excess in favor of one or the other basis.

Where a company values its bonds on the amortization basis, it is usual to amend the wordings of Items 40 and 53, Page 4, to indicate that bond values are upon the amortized rather than the market basis.

The following amended phraseology for Items 40 and 53, Page 4, is sometimes used:

*Item 40—"Amortized value (not including interest in Item 34) of bonds and market value of stocks over book value, per Schedule D."*

*Item 53—"Book value of bonds over amortized value and of stocks over market value, per Schedule D."*

In general, the column headings of the various parts of the schedule are self-explanatory and require no further elaboration.

In case of Columns (8), (9) and (10), Part 2, (dividend rates) the rates to be entered are the annual rates of dividend (or annual amounts per share on stock of no par value) paid during each of the three years that the company has held the stock. In case of a stock purchased during the period the full annual rate or amount should be entered for the year of purchase, even though the company actually received dividends for only a fraction of the year.

In case of Column (7), Part 4 (book value at date of sale) where profit or loss adjustments are made to bring the book value to the sale price, the amount to be entered is the book value after the profit or loss adjustments have been made, *i. e.*, the sale price.

Infrequent and unusual transactions sometimes present questions as to the proper reporting of the same in the various parts of the schedule, keeping in mind that the schedule must always balance between years according to the formula set out on Page 146. The following comments cover the schedule entries for such transactions as are most generally met with in practice:

*Stock Dividends.* Since the Supreme Court of the United States has ruled that stock dividends are not income, the proper method of reporting the same in the schedule is to enter them on Part 3, giving description, date acquired and par value as called for. Under name of vendor, the notation "Stock Dividend" should be made. The cost to Company should be "0."

*Sale of Rights.* The total proceeds from sale of stock rights do not, as sometimes erroneously believed, represent profit. The major portion of the proceeds represents a return of capital and the profit or loss is usually a comparatively small amount. For this reason the simplest method of handling the annual statement accounting for the proceeds from sale of stock rights is to assume no profit or loss but to credit book value with the full amount of the proceeds. In such case the entries in Schedule D, Part 4, are as follows:

In the description column, the number of "Rights" should be inserted before the name of the stock; "0" in the par value column; the consideration received (proceeds) in both the cost to company and the book value at date of sale columns.

The actual profit or loss may be determined, if such refinement is desired, in accordance with the method outlined in "Regulations 74—Income Tax—Revenue Act of 1928," Article 58, Pages 14 and 15. It should be borne in mind that in determining the profit or loss for annual statement purposes the same is predicated upon book value rather than upon actual cost. It is the general, although not universal practice, of companies to carry the actual cost as the book value and where this condition exists the annual statement profit or loss will be the same as profit or loss for Federal Income Tax purposes.

*Transfers to Schedule X*. The approved method of treating transfers to Schedule X—Unlisted Assets (see Page 165)—is to decrease the book value to "0" by profit and loss entry. The usual entries are made in Part 4 of the schedule, "0" being entered in the consideration and book value at date of sale columns; the date charged off in the date sold column; and the notation "Transferred to Schedule X" in the name of purchaser column.

*Transfers from Schedule X*. Transfers from Schedule X must pass through Part 3. The following entries should be made:

The usual entries will be made in the description and par value columns; the date of transfer in the date acquired column; the notation "Transferred from Schedule X" in the name of vendor column and "0" in the cost to company column. An increase by adjustment must be made in Part 1 to establish the book value; also the original cost should be entered in the actual cost column of Part 1.

*Receipts in Form of Securities.*—Receipts are not always in cash but sometimes consist of securities. This frequently happens where reinsurance of all the outstanding risks of a company is effected. In such cases the value fixed upon the securities should be considered as the purchase price and properly entered in Schedule D, Part 3, in case of the accepting company, or as the sale price and properly entered in Schedule D, Part 4, in case of the ceding company.

A similar rule would apply to any securities received as salvage. The fair market value would be reported as salvage received—Items 1-17, Column (2), Page 3—and such value entered in the "Cost to Company" column of Schedule D, Part 3, since the transaction (from an accounting standpoint) is exactly the same as if the company received the amount of cash and immediately invested it in the security in question.

*Exchange of Securities.* Exchanges of securities may arise from pure "swaps" carried out through a broker, but more frequently result from "reorganizations." The schedule accounting procedure in general is as follows:

Part 4—The book value of the old securities at the date of exchange should be considered as the sale price.

Part 3—The book value of the old securities at the date of exchange, minus the cash received or plus the cash paid, if any, should be considered as the purchase price (cost to company) of the new securities and the book value for Part 1.

Note that the foregoing assumes no profit or loss involved in the transaction. This will be the situation in most instances. The rule, however, does not apply if a book profit or loss is involved, and in such rare instances each transaction must be handled in accordance with the circumstances.

Where bonds are exchanged for part bonds and part stock, an apportionment of the book value of the old securities (bonds) will be necessary for determining the respective costs of the new securities (bonds and stocks), taking into consideration also any cash received or paid in connection with the exchange. No fixed rule can be given. In some instances stock received on reorganization represents potential future value only, and where this is the case it is a question of whether or not the new stock should be assigned any book value or cost. Each transaction must be considered on its merits.

"*Stock Split-Ups.*" Where stock of a certain (or no) par value is exchanged for a larger number of shares of the same class of stock of a smaller (or no) par value, the transaction should be carried through Parts 3 and 4 of Schedule D, treating the book value at the date of exchange as the sale price for Part 4 and the purchase price for Part 3. As the change is one of form only, no profit or loss on sale should be considered and on Part 2 of the schedule the amount to be entered in the cost to company column should be the original cost of the stock.

### Schedule H—Salvage—(Page 20 of Statement)

This schedule provides for showing all salvage received during the calendar year either in cash or property, according to the following sub-divisions:

(a) On losses incurred and paid in the current year.

(b) On losses incurred in previous years but paid in the current year.

(c) On losses incurred and paid in previous years.

The total salvage received (cash and property) checks with Items 1-17, Column (2), Page 3 of statement.

The schedule is not of material value and is not reproduced.

In case of salvage received in the form of property, a description thereof is called for. The purpose of this is to enable insurance departments to formulate an opinion as to the reasonableness of the value assigned to such property.

As a general rule, salvage in the form of property rarely appears in this schedule for the reason that most property salvage is converted immediately into cash and reported as cash salvage or, if not immediately so converted, no credit is taken until the property is actually sold.

Where, however, the amount of property salvage is substantial and market conditions are such as to make it desirable to defer sale of the same, the property would be reported in the schedule and brought into the assets in the manner indicated under the heading "Receipts in form of securities," Page 151.

### Schedule E—Reinsurance Recoverable on Paid and Unpaid Losses—(Page 21 of Statement)

(See Exhibit 6, Page 154)

The headings of this schedule are self-explanatory. Checks with the financial statement are as follows:

The total of Column (1) checks with "Reinsurance recoverable

## EXHIBIT 6

Form 3 ANNUAL STATEMENT FOR THE YEAR 1928 OF THE.................................................... 21
(Write or stamp name of Company)

### SCHEDULE E

*Showing Names and Locations of Companies and Amounts Recoverable for Reinsurance on Paid and Unpaid Losses*

| NAMES OF COMPANIES | LOCATIONS | (1) (A) PAID LOSSES | | (2) UNPAID LOSSES | |
|---|---|---|---|---|---|
| | | Dollars | Cts. | Dollars | Cts. |
| | *Totals* | | | | |

(A) Carry as ledger asset or non-ledger asset.

### SCHEDULE G

*Showing all Fidelity and Surety Losses and Claims*

| Losses and Claims Unpaid December 31, per Annual Statement for Each of the Following Years, viz: | | Net Amount Paid During Each of the Following Years on Claims Undisposed of on December 31, 1921, 1922, 1923, 1924, 1925, 1926 and 1927 Respectively, Excluding Expenses of Investigation and Adjustment. 1922 | 1923 | 1924 | 1925 | 1926 | 1927 | 1928 | Total to Date | Liability on Said Losses and Claims December 31 of Current Year |
|---|---|---|---|---|---|---|---|---|---|---|
| | Fidelity...$ (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) |
| 1921 | Surety.... | | | | | | | | | |
| | Total....$ | | | | | | | | | |
| | Fidelity.. $ | | | | | | | | | |
| 1922 | Surety.... | | | | | | | | | |
| | Total....$ | | | | | | | | | |
| | Fidelity...$ | | | | | | | | | |
| 1923 | Surety.... | | | | | | | | | |
| | Total....$ | | | | | | | | | |
| | Fidelity...$ | | | | | | | | | |
| 1924 | Surety.... | | | | | | | | | |
| | Total....$ | | | | | | | | | |
| | Fidelity.. $ | | | | | | | | | |
| 1925 | Surety.... | | | | | | | | | |
| | Total....$ | | | | | | | | | |
| | Fidelity...$ | | | | | | | | | |
| 1926 | Surety.... | | | | | | | | | |
| | Total....$ | | | | | | | | | |
| | Fidelity...$ | | | | | | | | | |
| *1927 | Surety.... | | | | | | | | | |
| | Total....$ | | | | | | | | | |

*Exclude reserves for claims incurred but not reported from first column for 1927 and subsequent years.

on paid losses" as reported in lines 28-30 or 42-43, Page 4, depending upon whether such reinsurance is carried as a "ledger" or a "non-ledger" asset.

The total of Column (2) checks with Item 15, Column (3), Page 5.

## SCHEDULE G—DEVELOPMENT OF UNPAID FIDELITY AND SURETY LOSSES AND CLAIMS—(PAGE 21 OF STATEMENT)

(See Exhibit 6, Page 154)

This schedule shows the developments to date of unpaid losses and claims outstanding as of the ends of the seven calendar years prior to the year of statement. Its purpose is to indicate whether or not a company is maintaining adequate loss and claim reserves for these lines of business. The test for any particular year's reserve consists of comparing the total of the amount paid to date plus the present (current year) liability or reserve with the reserve as of December 31st of the year under consideration.

For example, to determine the adequacy of the reserve as of December 31, 1921, in view of subsequent developments the total amount paid during the period 1922-1928 on losses and claims outstanding December 31, 1921, plus the liability or reserve on such losses and claims still unpaid December 31, 1928, is compared with the liability or reserve set up as of December 31, 1921.

The schedule, beginning with calendar year 1927, is based upon known losses and claims outstanding, *i. e.*, excludes reserves for losses and claims incurred but not reported.

The amounts unpaid December 31st, for calendar years 1926 and prior check with the amounts in Items 5 and 6, Column (7)*, Page 5 of the respective statements. The amounts unpaid December 31, 1927, check with Items 5 and 6—Column (7) minus Column (3)†, Page 5 of the 1927 statement.

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*Column (7) of the 1927 statement corresponds to Column (6) of the 1928 statement.

†Column (7) minus Column (3) of the 1927 statement corresponds to Column (4) of the 1928 statement.

### Schedules J & K (Pages 22 and 23 of Statement)

(See Exhibit 7, Page 157)

These two schedules are considered as a group since they both deal with unpaid fidelity and surety losses and claims. The headings of the various columns are self-explanatory.

Schedule J provides for showing the developments during the calendar year of all losses and claims unpaid—Column (8)—at the end of the previous calendar year, *i. e.*, the amount paid, if settled,—Columns (9), (10) and (11)—or the current year's reserve, if still outstanding—Column (12).

Schedule K provides for showing the reserve at the end of the current year—Column (8)—for all losses and claims unpaid which occurred (were reported) in the current year.

Losses and claims where the penalty of the bond is in excess of $5000 are reported in detail. Those involving a penalty of $5000 or less are grouped.

The schedules beginning with 1928 embrace only known losses and claims, *i. e.*, exclude the reserve for incurred but not reported losses and claims.

The various checks between the schedules and the financial statement and with preceding schedules are as follows:

The total of Column (8) of Schedule J checks with the sum of the totals of Column (12) of Schedule J and Column (8) of Schedule K of the previous year and with Items 5 and 6, Column (4)*, Page 5 of the previous year's statement. (Cases appearing in Schedule K of the current year's statement are transferred to Schedule J of the following year's statement.)

The total of Column (8) of Schedule J checks with the amount shown as unpaid at the end of the previous year in Column (1) of Schedule G.

The total of Column (11) of Schedule J checks with the amount paid during the current calendar year, Column (8) of Schedule G, with respect to unpaid losses and claims of the previous calendar year.

The total of Column (12) of Schedule J checks with losses and claims still unpaid, Column (9) of Schedule G, with respect to unpaid losses and claims of the previous calendar year.

The sum of the totals of Column (12) of Schedule J and Column

*Column (7) minus Column (3) of the 1927 statement.

## EXHIBIT 7

Form 3 23

ANNUAL STATEMENT FOR THE YEAR 1928 OF THE ______________________________
(Write or stamp name of Company)

### SCHEDULE J

*Showing all Fidelity and Surety losses and claims (with itemized list of claims on bonds in excess of $5,000 penalty) unpaid December 31 of previous year, including* ALL NOTICES *received by the company of the occurrence of any event which may result in a loss under Fidelity and Surety contracts and the disposition of same*

| (1) CLAIM NUMBER (Arrange in Consecutive Order) | (2) Date on which first notice was received | (3) NAME OF OBLIGEE | (4) NAME OF PRINCIPAL | ‡(5) State | (6) Amount Claimed | (7) Gross penalty of bond without deduction for reinsurance | (8) Estimated liability Dec. 31 of previous year per annual statement (a) | (9) AMOUNT PAID DURING CURRENT YEAR GROSS | (10) Reinsurance and Salvage ‡ | (11) NET | (12) ‡Estimated liability Dec. 31 of current year, per annual statement (a) | (13) REMARKS (Write in this column R for claims resisted, S for those in suit and J for those on which judgments have been obtained—stating am't of judgment) | (14) REINSURANCE *Name of reinsuring company or companies | (15) †Amount of liability of each such reinsuring company | (16) CO-INSURANCE Name of company or companies carrying co-insurance | (17) Amount of co-insurance liability in each such company |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | | | | |
| Total of Fidelity claims (number________) where penalty of bond is $5,000 or less | | | | ... | ... | ... | | | | | | ... | ... | ... | ... | ... |
| Total of Surety claims (number________) where penalty of bond is $5,000 or less | | | | ... | ... | ... | | | | | | ... | ... | ... | ... | ... |
| | | | *Totals* | | | | | | | | | | | | | |

*In reporting reinsurance on New York Excise bonds, insert the words "Excise reinsuring companies" in place of naming individual companies.
†Reinsuring companies' proportion of gross estimated liability. In reporting reinsurance on New York Excise bonds state in each case amount of liability of all such reinsuring companies.
‡The totals of these columns in schedules J and K combined must agree with the totals of page 5, lines 5 and 6, column 4.

(a) Excluding reserves and development under incurred but not reported claims.

Form 3

ANNUAL STATEMENT FOR THE YEAR 1928 OF THE ______________________________
(Write or stamp name of Company)

### SCHEDULE K

*Showing all Fidelity and Surety losses and claims (with itemized list of claims on bonds in excess of $5,000 penalty) of which notice was received during the year, including* ALL NOTICES *received by the company of the occurrence of any event which may result in a loss under Fidelity and Surety contracts and which remain unpaid or not disposed of December 31 of current year*

| (1) Claim Number (arrange in consecutive order) | (2) Date on which first notice was received | (3) NAME OF OBLIGEE | (4) NAME OF PRINCIPAL | (5) State | (6) Amount claimed | (7) Gross penalty of bond without deduction for reinsurance | (8) ‡Estimated liability Dec. 31 of current year, per annual statement (a) | (9) REMARKS (Write in this column R for claims resisted, S for those in suit and J for those on which judgments have been obtained—stating amount of judgment.) | (10) REINSURANCE *Name of reinsuring company or companies | (11) †Amount of liability of each such reinsuring company | (12) CO-INSURANCE Name of company or companies carrying co-insurance | (13) Amount of co-insurance liability in each such company |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | |
| *Total of Fidelity claims (number________) where penalty of bond is $5,000 or less.* | | | | ... | ... | ... | | ... | ... | ... | ... | ... |
| Total of Surety claims (number________) where penalty of bond is $5,000 or less. | | | | ... | ... | ... | | ... | ... | ... | ... | ... |
| | | | *Totals* | | | | | | | | | |

*In reporting reinsurance on New York Excise bonds insert the words "Excise reinsuring companies" in place of naming individual companies.
†Reinsuring companies' proportion of gross estimated liability. In reporting reinsurance on New York Excise bonds state in each case amount of liability of all such reinsuring companies.
‡The totals of these columns in Schedules J and K combined must agree with the totals of page 5, lines 5 and 6, column 4.

(a) Exclude reserve for claims incurred but not reported

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(8) of Schedule K checks with Items 5 and 6, Column (4), Page 5 of statement.

SCHEDULE P (PAGES 24, 25, 26, 27, 28 AND 29 OF STATEMENT)

The make-up of this schedule conforms in general to the requirements of the standard liability and compensation loss reserves laws. (See for example New York Insurance Law, Section 86, sub-section 2-C).

This schedule is divided into five parts as follows:

Part 1 Liability loss reserve.
" 2—Compensation loss reserve.
" 3—Total liability and compensation loss reserve.
" 4—Distribution of unallocated liability claim expenses.
" 5—Distribution of unallocated compensation claim expenses.

Parts 1, 2 and 3 only are reproduced (See Exhibits 8 and 9, Pages 159 and 160).

PART 1

The headings of the various columns are self-explanatory with the possible exception of Column (12) "Total estimated reserve for liability losses; case-basis." There is a question as to whether or not the reserves in this column should include provision for unpaid allocated and unallocated claim expense. Strictly speaking, there can be no case-basis unallocated claim expense. However, since the reserve on the prescribed formula basis for the three most recent policy years is predicated upon an arbitrary loss ratio of 60%, including loss and both allocated and unallocated claim expense, it is reasonable to assume that Column (12) should embrace both allocated and unallocated claim expense.

The various checks to which this part of the schedule is subject are as follows:

The difference between the totals of Column (1) of the current and previous year's schedules checks with the sum of Items 7 and 8, Column (6), Page 2 of the current year's statement.

The difference between the total of Column (1) and the unearned premium reserve—sum of Items 22 and 23, Column (7), Page 7—checks with the total of Column (2).

The difference between the totals of Column (3) of the current

# EXHIBIT 8

Form 3

ANNUAL STATEMENT FOR THE YEAR 1928 OF THE ____________________
(Write or stamp name of Company)

## SCHEDULE P—Part 1
## Special Reserve for Unpaid Liability Losses December 31 of Current Year

### SCHEDULE OF EXPERIENCE

| Years in which liability policies were issued | (a) Gross liability premiums on policies written or renewed (1) | Amount of earned liability premiums (See notes b and c) (2) | (d) Liability loss payments (3) | (c) Liability Loss Expense Payments: Allocated (4) | Unallocated (5) | Total (Col. 4 plus Col. 5) (6) | Liability loss and loss expense payments (Col. 3 plus Col. 6) (7) | Percentage of payments to premiums earned (Col. 7 divided by Col. 2) (8) | Liability Suits Pending December 31 of Current Year: Number of suits (9) | Amount charged for each suit (10) | Total suit liability (Col. 9 times Col. 10) (11) | Total estimated reserve for liability losses: case-basis (12) | Total liability losses (Sum of Items in Cols. 7 and 12) (13) | Liability loss ratio (Col. 13 divided by Col. 2) % (14) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1st period Prior to 1919 | $ | $ | $ | $ | $ | $ | $ | | | $ 1500 | $ | $ | $ | |
| 2nd period 1919 | | | | | | | | | | 1000 | | | | |
| 1920 | | | | | | | | | | 1000 | | | | |
| 1921 | | | | | | | | | | 1000 | | | | |
| 1922 | | | | | | | | | | 1000 | | | | |
| 1923 | | | | | | | | | | 1000 | | | | |
| 1924 | | | | | | | | | | 850 | | | | |
| 1925 | | | | | | | | | | 850 | | | | |
| Total 2nd period | | | | | | | | | | | | | | |
| 3rd period 1926 | | | | | | | | | | 750 | | | | |
| 1927 | | | | | | | | | | 750 | | | | |
| 1928 | | | | | | | | | | 750 | | | | |
| Total 3rd period | | | | | | | | | | | | | | |
| Grand totals | $ | $ | $ | $ | $ | $ | $ | | | $ | $ | $ | $ | |

### COMPUTATION OF RESERVE FOR UNPAID LIABILITY LOSSES

| Years in which liability policies were issued | 60% of earned premiums stated in Col. 2, third period (15) | Deduct loss payments and expense stated in Col. 7, third period (16) | Remainder (Col. 15 less Col. 16) If negative enter "O." (17) | Liability suits at $750 each (Col. 11, third period) (18) | Carry out for year 1926 amount stated in Cols. 17 or 18, whichever is greater, and for years 1927-1928 amount stated in Col. 17 (19) | As Computed by the Company: Voluntary additional reserves for unpaid liability losses (20) | Total liability loss reserves (Col. 19 plus Col. 20) (21) | Total incurred liability losses (Col. 16 plus Col. 21) (22) | Incurred loss ratio (Col. 22 divided by Col. 2) % (23) |
|---|---|---|---|---|---|---|---|---|---|
| 1926 | $ | $ | $ | $ | $ | $ | $ | $ | |
| 1927 | | | | | | | | | |
| 1928 | | | | | | | | | |
| Totals | $ | $ | $ | $ | $ | $ | $ | $ | |

| | | |
|---|---|---|
| (24) | Reserve for __________ suits pending on policies issued prior to 1919 (Col. 11 first period) | $ |
| (25) | Reserve for __________ suits pending on policies issued during second period (Col. 11, total second period) | |
| (26) | Reserve for third period (total of Col. 21) | |
| (27) | Total reserve for unpaid liability losses | $ |

# EXHIBIT 9

Form 3

ANNUAL STATEMENT FOR THE YEAR 1928 OF THE ____________________
(Write or stamp name of Company)

## SCHEDULE P—Part 2

### Special Reserve for Unpaid Workmen's Compensation Losses December 31 of Current Year

### SCHEDULE OF EXPERIENCE

| Years in which compensation policies were issued | (a) Gross compensation premiums on policies written or renewed (28) | Amount of earned compensation premiums (See notes b and c) (29) | (d) Compensation loss payments (30) | (e) COMPENSATION LOSS EXPENSE PAYMENTS Allocated (31) | Unallocated (32) | Total (33) | Compensation loss and loss expense payments (Col. 30 plus Col. 33) (34) | Percentage of payments to premiums earned (Col. 34 divided by Col. 29) (35) | Unpaid compensation claims December 31 of current year No. (36) | Present value at 4 per centum interest of estimated future payments (37) | Total compensation losses (sum of items in Cols. 34 and 37) (38) | Compensation loss ratio (Col. 38 divided by Col. 29) % (39) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| First period | $ | $ | $ | $ | $ | $ | $ | | | $ | $ | |
| ~~Prior to 1919~~ | | | | | | | | | | | | |
| 1919 | | | | | | | | | | | | |
| 1920 | | | | | | | | | | | | |
| 1921 | | | | | | | | | | | | |
| 1922 | | | | | | | | | | | | |
| 1923 | | | | | | | | | | | | |
| 1924 | | | | | | | | | | | | |
| 1925 | | | | | | | | | | | | |
| Total first period | | | | | | | | | | | | |
| Second period | | | | | | | | | | | | |
| 1926 | | | | | | | | | | | | |
| 1927 | | | | | | | | | | | | |
| 1928 | | | | | | | | | | | | |
| Total second period | | | | | | | | | | | | |
| Grand totals | $ | $ | $ | $ | $ | $ | $ | | | $ | $ | |

### COMPUTATION OF RESERVE FOR UNPAID COMPENSATION LOSSES

| Years in which compensation policies were issued | 65% of earned premiums stated in column 29 (40) | Deduct loss payments and expense stated in column 34 (41) | Remainder (Col. 40 less Col. 41 If negative enter "O") (42) | Unpaid compensation claims (Col. 37) (43) | Carry out for years 1926, 1927 and 1928 amount stated in Col. 42 or 43, whichever is greater (44) | AS COMPUTED BY THE COMPANY: Voluntary additional reserve for unpaid compensation losses (45) | Total compensation loss reserves (Col. 44 plus Col. 45) (46) | Total incurred compensation losses (Col. 41 plus Col. 46) (47) | Incurred loss ratio (Col 47 divided by Col. 29) % (48) |
|---|---|---|---|---|---|---|---|---|---|
| 1926 | $ | $ | $ | $ | $ | $ | $ | $ | |
| 1927 | | | | | | | | | |
| 1928 | | | | | | | | | |
| Totals | $ | $ | $ | $ | $ | $ | $ | $ | |
| ~~(49) Reserve for unpaid compensation losses first period (Col. 37, total first period)~~ | | | | | | | | | |
| ~~(50) Reserve for unpaid compensation losses second period (Total of Col. 46)~~ | | | | | | | | | |
| (51) Total reserve for unpaid compensation losses | | | | | $ | | | | |

## SCHEDULE P—Part 3

| | |
|---|---|
| (52) Carry out total reserve for unpaid liability losses (Total line 27, Part 1 or Total of column 12, whichever is greater) | $ |
| (53) Total reserve for unpaid compensation losses (Total line 51, Part 2) | |
| (54) Total reserve for unpaid liability and compensation losses (carry total to page 5, line 16 of the statement) | $ |

NOTES: (a) There should be included in this column the gross premiums on policies written or renewed in each of the respective years plus the additional premiums on said policies, less the return premiums, abatement of premiums and reinsurance. Are they so returned in this schedule? Answer: ____________

(b) Earned premiums must include gross premiums charged on all policies written during said period, including all determined excess and additional premiums, less return premiums, other than premiums returned to policyholders as dividends, and less reinsurance premiums and premiums on policies canceled, and less unearned premiums on policies in force. Such premiums must be credited or charged to calendar years in which policies were written. Are they so returned in this statement? Answer: ____________

(c) Any participating company which has charged in its premiums a loading solely for dividends shall not be required to include such loading in its earned premiums, provided a statement of the amount of such loading has been filed with and approved by the superintendent of insurance.

(d) There should be included with "Loss payments" all payments for first aid and medical attendance. Are they so returned in this statement? Answer: ____________

(e) There should be included with "Loss expense payments" all payments for legal expenses, including attorney's and witness fees and court costs, salaries and expenses of investigators, adjusters and field men, rents, stationery, telegraph and telephone charges, postage, salaries and expenses of office employees, home office expenses and all other payments under or on account of such injuries, whether the payments are allocated to specific claims or are unallocated. Are they so returned in this statement? Answer: ____________

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and previous year's schedules checks with the sum of Items 4 and 5, Column (5), Page 3 of the current year's statement.

The amounts in Columns (4) and (5) of the schedule do not check individually with the financial statement, since no division between allocated and unallocated claim expense is called for on Page 3. The calendar year unallocated claim expense is, however, shown separately on Part 4 of Schedule P where it is distributed to policy years upon the percentages prescribed in the standard liability loss reserve laws. Deducting the calendar year unallocated claim expense from the total claim expense included in Items 19 and 20, Page 3 of statement produces the calendar year allocated claim expense, included in Column (4) of the schedule. This permits the checking of Columns (4) and (5) between years similar to the check applied to Columns (1) and (3). In case of Column (6) the difference between the totals of Column (6) of the current and previous year's schedules checks with the total loss expense included in Items 19 and 20, Page 3 of the current year's statement.

### Part 2

The various checks to which this part of the schedule is subject are similar to those to which Part 1 is subject and are as follows:

The difference between the totals of Column (28) of the current and previous year's schedules checks with Item 9, Column (6), Page 2 of the current year's statement.

The difference between the total of Column (28) and the unearned premium reserve—Item 24, Column (7), Page 7—checks with the total of Column (29).

The difference between the totals of Column (30) of the current and previous year's schedules checks with Item 6, Column (5), Page 3 of the current year's statement.

As in the case of Columns (4) and (5) of Part 1, the amounts in Columns (31) and (32) of this part do not check individually with the financial statement. The calendar year unallocated claim expense is shown separately on Part 5 of the schedule and distributed to policy years upon the percentages prescribed in the standard compensation loss reserve laws. This permits the checking of Columns (31) and (32) between years similar to the check applied to Columns (4) and (5) of Part 1. In case of Column (33) the difference between the totals of Column (33) of the current and previous year's schedules checks with the total loss expense included in Item 20, Page 3 of the current year's statement.

### PART 3

This part of the schedule brings together the total liability and compensation loss reserves. It will be noted that Item 52 requires the use of the liability reserve on that basis which produces the higher reserve—the "formula" basis, Item 27, or the case basis, total of Column (12).

Items 52, 53 and 54 check with the corresponding amounts called for in Item 16, Page 5 of statement.*

### PARTS 4 AND 5

These two parts of the schedule, as previously mentioned, show the distribution of calendar year unallocated claim expenses to policy years for liability and compensation respectively. Each part is divided into two sections—one for use of companies which have been transacting the lines in question fourteen years or more in case of liability and thirteen years or more in case of compensation and the other for companies which have been transacting the lines for less than fourteen years in case of liability and less than thirteen years in case of compensation. The total current calendar year's unallocated liability claim expense included in Part 4 checks with the difference between the grand total of Column (5) of Part 1 of the current and prior year's schedules. The total current calendar year's compensation unallocated claim expense included in Part 5 checks with the difference between the grand totals of Column (32) of Part 1 of the current and prior year's schedules.

### SCHEDULE O (PAGE 30)
(See Exhibit 10, Page 163)

This schedule is designed to test by lines of business (excluding liability and compensation) the adequacy of loss and claim reserves set up in the previous year's statement viewed in the light of developments one year later—as of the date of the current year's statement. For lines other than fidelity and surety the test is made upon the basis of the total loss reserve (the

*These checks will not apply for the 1929 statement blank because of changes to become effective in 1929. See "Addenda," Page 169 for superseding checks.

# EXHIBIT 10

Form 3

ANNUAL STATEMENT FOR THE YEAR 1928 OF THE................................................................

(Write or stamp name of Company)

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## SCHEDULE O

*Losses and Claims Other Than Liability and Workmen's Compensation Claims*

| (1) | (2) Estimated liability on unpaid losses and claims Dec. 31 of previous year, per items 2 to 14 inclusive, column 7 and item 17, page 5 of last annual statement (b) | (3) Increase or decrease in such estimated liability. (Indicate decrease by minus sign) | (4) Total (Columns 2 and 3) | (5) Losses and claims incurred during the year, less reinsurance and salvage on said losses and claims | (6) Total (Columns 4 and 5) | (7) Losses and claims paid during the year less salvage and reinsurance received thereon during the year | (8) | (9) Salvage and reinsurance received in the current year on losses paid prior thereto | (10) Net disbursements for losses and claims paid during the year, per items 1-16, col. 5, page 3 (Cols. 7+8—9) | (11) Losses and claims unpaid Dec. 31 of current year, viz: Estimated liability Dec. 31 of current year | (12) | (13) Total (Columns 11 and 12) (c) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | †On losses and claims incurred prior to Jan. 1 of current year | On losses and claims incurred during the year | | | On losses and claims unpaid Dec. 31 of previous year, less reinsurance thereon | On losses and claims incurred during the year, less reinsurance thereon | |
| 1. Accident | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| 2. Health | | | | | | | | | | | | |
| 3. Non-Cancellable Accident and Health | | | | | | | | | | | | |
| 4. Fidelity | * | | | | | | | | | | * | * |
| 5. Surety | * | | | | | | | | | | * | * |
| 6. Plate Glass | | | | | | | | | | | | |
| 7. Burglary and Theft | | | | | | | | | | | | |
| 8. Steam Boiler | | | | | | | | | | | | |
| 9. Machinery | | | | | | | | | | | | |
| 10. Auto Prop'y Damage | | | | | | | | | | | | |
| 11. Auto Collision | | | | | | | | | | | | |
| 12. Property Damage and Collision other than Auto | | | | | | | | | | | | |
| 13. (a) | | | | | | | | | | | | |
| 14. Totals | *$ | $ | $ | $ | $ | $ | $ | $ | $ | $ | *$ | *$ |

*Exclude reserves for Fidelity and Surety losses and claims incurred but not reported.

†Including all losses and claims reported in the current year where the loss was incurred prior thereto.

NOTE: Salvage and reinsurance as used in columns 7 and 8 include (1) received in cash, and (2) recoverable (charged during year of statement) if carried as a ledger asset; as used in column 9 include (1) received in cash and not carried as a ledger asset in previous statements, and (2) recoverable (charged during year of statement) if carried as a ledger asset.

(a) Enter "Credit {Item 14 / Item 17} page 5," "Live Stock" or "Sprinkler"

(b) Fidelity and Surety estimated liability obtained by deducting column (3) lines 5 and 6 from column (7) lines 5 and 6 respectively on page 5 of the 1927 statement.

(c) Fidelity and Surety reserves obtained from column (4), lines 5 and 6, page 5.

reserve for known claims plus the estimated reserve for incurred but not reported claims). In case of fidelity and surety the test is made upon the basis of the loss reserve for known claims only.

The schedule contains much data which is not essential to producing the results desired but which is incorporated for purposes of check and audit with the financial section and other schedules.

Briefly, the rationale of the test is as follows: The excess or deficiency in reserve, Column (3), is equal to the difference between (a) the reserve at the end of the previous year, Column (2), and (b) the sum of the amount paid during the current year on previous years' claims, Column (7) and the loss reserve on previous years' claims still outstanding at the end of the current year, Column (11); or to summarize algebraically:

Column (3) = Column (2) − [Column (7) + Column (11)].

The preparation of the schedule requires the maintenance of certain special statistical records which it may be of interest to note.

Gross amount paid for losses must be divided as follows:

(a)—on losses incurred in previous years.

(b)—on losses incurred in the current year.

Reinsurance recovered during the current year must be subdivided as follows:

(a)—on losses incurred in the current year and paid in the current year.

(b)—on losses incurred in previous years but paid in the current year.

(c)—on losses incurred in previous years and paid in previous years.

Salvage recovered during the current year must be subdivided in the same manner as reinsurance. This subdivision of salvage is also required for Schedule H as brought out on Page 153.

The schedule is subject to the following checks with the financial section and other schedules.

Column (2) checks by line with Items 2-14, Column (7)*, Page 5 of the previous year's statement except for fidelity and surety where the check is with the difference between the amounts in Column (7) and Column (3).†

*Column (7) of the 1927 statement corresponds to Column (6) of the 1928 statement.

†Column (7) minus Column (3) of the 1927 statement corresponds to Column (4) of the 1928 statement.

It follows that Column (2) in case of fidelity and surety (individually) checks with the amounts shown in Column (1) of Schedule G of the current year's statement as outstanding at the end of the previous year.

It also follows that Column (2) in case of fidelity and surety (combined) checks with the sum of the totals of Column (12) of Schedule J and Column (8) of Schedule K of the previous year's statement.

Column (7) in case of fidelity and surety combined checks with Column (11) of Schedule J of the current year's statement.

Column (10) checks by line with Items 1-3 and 7-16, Column (5), Page 3 of statement.

It follows that Column (7) in case of fidelity and surety (individually and combined) checks with Column (8) of Schedule G of the current year's statement with respect to losses and claims unpaid December 31 of the previous year.

Column (11) in case of fidelity and surety (individually and combined) checks with the amounts shown in Column (10) of Schedule G with respect to the immediately preceding calendar year.

Column (13) checks by line with Items 2-14, Column (6), Page 5 of the current year's statement except for fidelity and surety where the check is with Column (4).

It follows that Column (13) in case of fidelity and surety combined checks with the sum of the totals of Column (12) of Schedule J and Column (8) of Schedule K of the current year's statement.

The following inter-schedule checks not specifically indicated should be noted:

Column (5) checks with the sum of Columns (8) and (12).

Column (6) checks with the sum of Columns (7), (8) and (13).

It will be noted that Column (9) does not enter into the determination of the adequacy of the loss reserve—Column (3) but is incorporated for checking purposes only; Column (10) which equals Column (7), plus Column (8), minus Column (9) checks with Items 1-3 and 7-16, Column (5), Page 3 of statement. While the salvage and reinsurance recovered during the current year included in Column (9) does not apply to losses outstanding at the end of the previous year, it is, nevertheless, an undisclosed credit as of such date and should logically be considered in determining the true status of the loss reserve at such date. In other words, the true excess or deficiency in reserve should be measured, not by Column (3) but by the algebraic sum of Columns (3) and (9).

### Schedule N (Page 31)

This schedule shows the bank balances in each of the Company's depositories (according to the books of the company) at the end of each month of the calendar year; also the rate of interest on each account and the amount of interest received during the year. It is not an important schedule and is not reproduced. The amount of interest received checks with Item 25, Page 2 of statement.

### Schedule X—Unlisted Assets (Page 32)

This schedule provides for showing the details of "all property owned by the company or in which it had any interest, on December 31st of current year, which is not entered on any other schedule and which is not included in the financial statement for the current year"—*i. e.*, property or assets not carried on the company books. The information is similar to that contained in the various investment schedules (A, B, C and D). In addition, the schedule calls for the reasons for not carrying the property on the books. The schedule is not an important one and, accordingly, is not reproduced.

The schedule, as indicated, is designed to show a record of assets charged off the books of the company as of no or doubtful value. In some instances the schedule is used to record potential salvage assets.

Occasionally small amounts of income are derived from the assets carried in this schedule. In such cases, excluding salvage transactions, the income should be reported in the proper item on Page 2 and an appropriate change made in the description of the item. For example, if a dividend is received on a stock carried in this schedule, the income should be included in Item 24, Page 2 and the wording of the item changed to read:—

"*Gross interest on bonds and dividends on stocks, less $........ accrued interest on bonds acquired during the year, per Schedules D and X.*"

Where salvage assets are carried in this schedule any outlays thereon should be charged to losses and any income or proceeds on sale credited to salvage and also included in the salvage schedule (Schedule H).

Transfers of securities to or from Schedule X have been treated in the consideration of infrequent or unusual transactions involving Schedule D.

## ADDENDA

Since the foregoing was prepared the changes in the annual statement blank effective for the 1929 statement have become available. Those of consequence and the resultant modifications and amendments in the texts of this paper and the paper which it supplements follow:

Item 24, Page 2 of statement now reading—

"*Gross interest on bonds and dividends on stocks, less $........ accrued interest on bonds acquired during the year, per Schedule D*"
has been changed to read—

"*Gross interest on bonds $.......... and dividends on stocks $.......... less $.......... accrued interest on bonds acquired during the year, per Schedule D.*"

The purpose of this change, as contained in the report of the Committee on Blanks of the National Convention of Insurance Commissioners, is "in order that the yield on various classes of assets may readily be obtained."

Schedule D—Part 4 (Page 19 of statement) has been amended in two respects. The heading of Column 12 now reading—

"*Interest and dividends received during year (including accrued interest on bonds sold)*"

has been changed to read—

"*Interest on bonds received during year (including accrued interest on bonds sold)*"

A new column—Column (13)—has been added, reading—

"*Dividends on stocks received during the year*"

The purpose of the two above changes as contained in the report of the Committee are "to facilitate the audit of the bond and stock interest and dividend items on Page 2."

Checks between Schedule D and Item 24, Page 2 as a result of the three above changes will be as follows in the 1929 statement:—

The sum of the totals of Column (12), Part 1 and amended Column (12) Part 4, will check with the first inside amount of Item 24, Page 2.

The sum of the totals of Column (11), Part 2 and new Column (13), Part 4 will check with the second inside amount of Item 24, Page 2.

The total of Column (6), Part 3 (paid for accrued interest) will check with the third inside amount of Item 24, Page 2.

Minor changes have been made in Schedule P looking to the simplification of Parts 4 and 5 of the schedule (distributions of unallocated claim expenses).

The following differences between the 1929 and 1928 forms are noted:

Part 1—Columns or Items (1)-(27) remain unchanged except that the instruction now contained in Item 52 of Part 3 and reading "Total Line 27, Part 1, or Column (12), whichever is greater" has been transferred to Item 27 and changed to read "Carry to Page 5, Line 16 of the statement, this total or total of Column (12), whichever is greater." The distribution of unallocated claim expense for all calendar years prior to the current year combined and for the current calendar year separately for companies which have written the liability line for five years or more has been taken out of Part 4 and appended to Part 1.

Part 2—Columns or Items (28)-(51) remain unchanged. The distribution of unallocated claim expense for all calendar years prior to the current year combined and for the current year separately for companies which have written the compensation line for four years or more has been taken out of Part 5 and appended to Part 2.

Part 3 of the 1928 form has been eliminated as unnecessary.

Part 3 of the 1929 form replaces Part 4 of the 1928 form as respects the distribution of unallocated claim expenses for companies which have been writing the liability line for less than five years.

Part 4 of the 1929 form replaces Part 5 of the 1928 form as respects the distribution of unallocated claim expenses for companies which have been writing the compensation line for less than four years.

The total current calendar year's unallocated liability claim expense included in either the section appended to Part 1 or in new Part 3 will check with the difference between the grand total of Column (5) of Part 1 of the current and prior year's schedules. The total current calendar year's compensation unallocated claim expense included in either the section appended to Part 2 or in new Part 4 will check with the difference between the grand total of Column (32) of Part 2 of the current and prior year's schedules.

The checks between previous Part 3 and the financial section mentioned on Page 162 are now superseded by the following checks:

### Part 1

Item 27 will check with the corresponding liability amount in Item 16, Page 5 of statement.

Item 51 will check with the corresponding compensation amount in Item 16, Page 5 of statement.