EXHIBITS AND SCHEDULES OF THE CASUALTY ANNUAL STATEMENT BLANK

BY

THOMAS F. TARBELL

The paper entitled "Casualty Insurance Accounting and the Annual Statement Blank," originally contained in *Proceedings,* Volume XV, Page 141, and revised and reprinted in Volume XXVII, Page 294, 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, which is also a revision of the paper under the same title, originally prepared by the writer and appearing in "*Proceedings,* Volume XVI, Page 131," deals with 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 (Written and in Force).

Recapitulation (of Premiums in Force).

Business in (State) during the year.

Miscellaneous Schedules

Special Deposit Schedule.

Schedule of All Other Deposits.

Schedule E—Reinsurance Recoverable.

Schedule T—Premiums Written by States and Territories.

* All references, except as hereinafter noted, are to the "Association Edition" blank for 1940. Since changes in the blank are made yearly, item number references may change in future editions.

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.

Schedule P—Liabilty and Compensation Loss Reserves, including tests of such reserves as of ends of previous years in the light of developments to the end of the current year.

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.

SUPPLEMENT TO UNDERWRITING AND INVESTMENT EXHIBIT—EXHIBIT OF UNDERWRITING GAINS AND LOSSES BY LINES OF BUSINESS

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, including a check of the adequacy of loss reserves, 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 policyholders, 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 (Page 7)

(See Exhibit 1, Page 93)

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)-(6). 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 (7). The difference between Column (6) and Column (7) produces the net premiums in force, Column (8).

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 constitutes, on the average, about 35% of the total liabilities of a company, the importance of this exhibit is obvious.

The exhibit is subject to partial audit as follows:

Column (1) The amounts in this column check with the corresponding amounts in Column (6) 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 (3), (5) and (7) upon which depend the correctness of Columns (6) and (8) are not subject to audit. Column (3) contains the amount necessary to build up the in force premiums on reinsurance assumed for terms less than the terms of the original policies to the full original premiums, since the unearned premium reserve should be based on the premiums for the full term. Column (5) is made up of (a) gross advance or deposit premiums on expired policies; (b) premiums developed by audit (net additional or refund premiums on annual audit policies and earned premiums on periodic audit 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 (5) 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 (7) 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 (5), 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 (8) 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 of the unexpired term, assuming all policies to have been issued in the middle of the year. Using policies issued for the period of three years, for example, the unearned premium reserve factors are:

Policies issued in current year—5/6ths
" " one year prior 3/6th 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

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

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

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.

Exhibit of Premiums Written and Losses Paid (Page 10)
Business in . . . during the year

(See Exhibit 2, Page 94)

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. The Association form (reproduced), used by most states, provides for premiums on (1) Direct Writings, (2) Reinsurance Assumed, and (3) Reinsurance Ceded; also, Net Dividends to Policyholders. Losses, however, provide for a combination of (1) Direct Business and (2) Reinsurance Assumed (less salvage), Reinsurance Ceded only being separated. The three way division of premiums is to provide a check of taxable premiums between this exhibit and the Premium Tax form. At the present time the laws of most states provide for the collection of taxes on the basis of Direct Writings. A few states require the compilation of the exhibit on the basis of written premiums and incurred losses.

Special Deposit Schedule (Page 11)

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 11)

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 12 and 13)

(See Exhibit 3, Page 95)

This schedule consists of three parts as follows:

Part 1—Real estate owned at the end of the year (including summary by state and foreign country)

" 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 formula stated at the end of the schedule.

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

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

Column (17): 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 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 38, Page 3, will not agree since a portion of the rent expense is included in disbursement items other than Item 38, particularly in Items 18-24, 36 and 37 (See *Proceedings*, Vol. XXVII, Pages 308 and 309).

Part 2

Column (5): *Cost to Company during the 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

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

not include any amounts expended for additions and permanent improvements subsequent to date of acquiring title.

Column (6): *Amount expended for Additions and Permanent Improvements during the 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 (15) "Expended for taxes, repairs and expenses," of Part 1.

Column (7): *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. See also "Addendum," Page 91.

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

The total of Column (6), Part 1—Book value, less encumbrances—checks with Item 1, Page 4.

The difference between Columns (6) and (7)—Market value less encumbrances—Part 1, checks with Item 39 or Item 52, Page 4.

The sum of the totals of Column (8), Part 1 and Column (5), Part 3—Increase by adjustment in book value during year—checks with Item 39(a), Page 2.

The sum of the totals of Column (9), Part 1 and Column (6), Part 3—Decrease by adjustment in book value during year—checks with Item 61(a), Page 3.

The sum of the totals of Column (14), Part 1 and Column (11), Part 3—Gross income less interest on encumbrances—checks with Item 29, Page 2.

The sum of the totals of Column (15), Part 1 and Column (12), Part 3—Expended for taxes, repairs and expenses during year—checks with Item 48, Page 3.

SCHEDULE B (PAGE 14)

(See Exhibit 4, Page 96)

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

As a rule, no difficulty is experenced 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 in Item 60(*d*), Page 3, as follows:

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

Schedule C (Pages 15 and 16)

(See Exhibit 5, Page 97)

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	$____

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 34, 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 17, 18, 19 and 20)

(See Exhibit 6, Page 98)

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...........			$........

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 (4), Part 1 checks with Item 4 (bonds), Page 4.

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

The difference between the total of Column (4), Part 1 (book value) and the total of Column (7), Part 1 (market value), or of Column (16), amortized value, checks with Item 40, or Item 53, Page 4.

The difference between the total of Column (4), Part 2 (book value), and the total of Column (6), Part 2 (market value), checks with Item 40A, or Item 53A, Page 4.

The total of Column (9), Part 1—Interest due and accrued—checks with the extended amount of Item 35, Page 4.

The total of Column (7), Part 3—Paid for accrued interest—checks with the inside amount of Item 24, Page 2.

The sum of the totals of Column (9), Part 1, Column (8), Part 2, and Columns (13) and (14), Part 4—Gross interest and dividends received—less the total of Column (7), Part 3 checks with the extended amount of Item 24, Page 2.

The sum of the totals of Column (10), Part 1 and the bond portion of Column (9), Part 4—Increases by adjustment—checks with Item 39(b), Page 2.

The sum of the totals of Column (9), Part 2 and the stock portion of Column (9), Part 4—Increases by adjustment—checks with Item 39(c), Page 2.

The sum of the totals of Column (11), Part 1 and the bond portion of Column (10), Part 4—Decreases by adjustment—checks with Item 61(b), Page 3.

The sum of the totals of Column (10), Part 2 and the stock portion of Column (10), Part 4—Decreases by adjustment—checks with Item 61(c), Page 3.

The bond portion of Column (11), Part 4 checks with Item 38(b), Page 2.

The stock portion of Column (11), Part 4 checks with Item 38(c), Page 2.

The bond portion of Column (12), Part 4 checks with Item 60(b), Page 3.

The stock portion of Column (12), Part 4 checks with Item 60(c), Page 3.

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

Columns (13)-(18), Part 1, apply to companies which value bonds on the amortization basis. The headings of Columns (13) and (14) are self-explanatory. Column (15) provides for showing the effective rate of interest at which purchase was made. This rate depends upon the normal coupon rate, the period to maturity and the purchase price (see Vol. XXVII, Pages 304 and 312). Column (16) calls for the amortized or investment value as of December 31 of the current year. Columns (17) and (18) provide for the accrual of discount increases or the amortization of premium decreases during the year. The increases and decreases reported in Columns (17) and (18) are, as a rule, also included in Columns (10) and (11). These latter columns also include increases or decreases made for any other purpose (such as increases or decreases to adjust the book values up or down to the market values in case of bonds not subject to amortization, *i. e.*, perpetual bonds, bonds in default as to principle or interest, bonds not amply secured or otherwise not qualifying for amortization).

The total of Column (17), Part 1, plus the amount of accrual of bond discount included in Column (9), Part 4, checks with the inside amount of Item 39(b), Page 2.

The total of Column (18), Part 1, plus the amount of amortization of bond premium included in Column (10), Part 4, checks with the inside amount of Item 61(b), Page 3.

The amounts shown in Column (16), Part 1, are the amortized values for bonds qualifying for amortization and the market values for bonds not so qualifying. The amounts shown in Column (4), book value, may or may not agree with the amounts shown in Column (16), depending upon whether or not a company adjusts its book values to the amortized (and market) values included in Column (16). If a company does so adjust its book values, no amounts appear in Items 40 or 53, Page 4.

In general, the column headings of the various parts of the schedule not previously commented upon are self-explanatory and require no material elaboration.

In case of Column (8), 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 last 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 (8), Part 4 (book value at date of sale), if 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 72. The following comments cover the schedule entries for such transactions as are most generally met with in practice:

Stock Dividends. The accounting for dividends received in the form of stock or other securities should conform with Federal Income Tax requirements. Such receipts are considered as dividends to the extent that they constitute income to the shareholders. The distinction between such dividends which constitute income and those which do not constitute income and the manner of accounting for the same are contained in "Regulations 103, Income Tax, Internal Revenue Code," Sections 19.115-7 *et seq.* Briefly, the income, if any, should be treated as dividends received and entered in Part 2 of the schedule. The amount to be entered in Columns (7), actual cost, and (8), dividends received, will be the amount determined as constituting income. If no income is involved, no amounts should be entered in Columns (7) and (8). The transaction should also be entered in Part 3. In Column (3), name of vendor, the notation "Stock Dividend" should be entered. In Column (5), cost to company, the amount of income, if any, should be entered, or if no income is involved "0" should be entered.

Sale of Rights. The total proceeds from sale of stock rights do not represent profit. The major portion of the proceeds represents a return of capital and the profit or loss is usually a comparatively small amount. The actual profit or loss should be determined in accordance with the method outlined in "Regulations 103, Income Tax, Internal Revenue Code," Sections 19.22(a)-8. The transaction should be included in Part 4 of the schedule. The proceeds should be entered in Column (5), consideration. The cost, as determined by the "Regulations," should be entered in Column (7), the book value in Column (8) and the profit or loss in Column (11) or Column (12). If the cost and book values of the original security are not the same, the statement profit or loss will be different from the Federal Income Tax profit or loss, since the statement profit or loss is based upon the book value and the Federal Income Tax profit or loss on the cost. The two amounts can be brought into agreement by a profit or loss adjustment in the book value to bring the book value back to the actual cost. If this is done, the book value adjustment would be reflected in Column (9) or Column (10) of Part 4.

Transfers to Schedule X. The approved method of treating transfers to Schedule X—Unlisted Assets (see Page 87)—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 E—Reinsurance Recoverable on Paid and Unpaid Losses—(Page 21)

(See Exhibit 7, Page 99)

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 on paid losses" as reported in lines 28-31 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. See "Addendum," page 92.

Schedule G—Development of Unpaid Fidelity and Surety Losses and Claims—(Page 22)

(See Exhibit 7, Page 99)

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, 1933, in view of subsequent developments the total amount paid during the period 1934-1940 on losses and claims outstanding December 31, 1933, plus the liability or reserve on such losses and claims still unpaid December 31, 1940, is compared with the liability or reserve set up as of December 31, 1933.

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

The amounts in Column (2) of the schedule (net losses and claims unpaid December 31 of each calendar year) check with the amounts in Items 5 and 6, Column (4), Page 5 of the respective calendar year statements.

Schedule H—Salvage—(Page 22)

(See Exhibit 7, Page 99)

This schedule provides for showing gross cash salvage received during the calendar year, 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 gross salvage received checks with Items 1-17, Column (2), Page 3 of statement.

Schedule N (Page 23)

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, divided between "Open Banks or Trust Companies" and "Suspended Banks or Trust Companies" (See Item 51, Page 4 of statement); 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. The total of deposits in suspended banks as of December 31 checks with the sum of the extended and inside amounts of Item 51, Page 4 of statement.

Schedule P (Pages 24, 25, 26, 27 and 28)

The make-up of this schedule conforms in general to the requirements of the standard liability and compensation loss reserves laws (including the New York Insurance Law, Section 326, sub-sections 3-6).

This schedule is divided into eight parts as follows:

Part 1—Liability (including automobile) loss reserve (including distribution of unallocated claim expenses for companies which have been issuing policies five years or more).

" 1A—Schedule of automobile liability experience (including distribution of unallocated claim expenses for companies which have been issuing policies five years or more).

" 2—Compensation loss reserve (including distribution of unallocated claim expenses for companies which have been issuing policies four years or more).

" 3—Distribution of unallocated liability (including automobile) claim expenses for companies which have been issuing policies less than five years.

" 3A—Distribution of unallocated automobile liability claim expenses for companies which have been issuing policies less than five years.

" 4—Distribution of unallocated compensation claim expenses for companies which have been issuing policies less than four years.

" 5—Development of incurred liability losses.

" 5A—Development of incurred compensation losses.

Parts 1, 2 and 5 only are reproduced. (See exhibits 8, 9 and 10, pages 100, 101 and 102.)

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) could be interpreted to 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 (5), 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 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 at the bottom of Part 1, or on Part 3, where it is distributed to policy years upon the percentages prescribed in the liability loss reserve laws. Deducting the calendar year unallocated claim expense from the total liability claim expense included in Item 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 liability loss expense included in Item 20, Page 3 of the current year's statement.

The sections providing for the computation of the reserve and the policy year distribution of unallocated claim expenses require no particular comments.

Part 1A

This part, embracing automobile liability business only, is identical with Part 1 as respects the schedule of experience and the policy year distribution of unallocated claim expense and is subject to the same general checks. No section is provided for computation of reserve. The reserve computation would have no particular significance, since the statement reserve is computed upon the total liability (including automobile) business. If separate reserves were computed for each division (automobile and other liability) the aggregate of the two individual reserves would not necessarily equal the reserve computed upon the total liability business. This is due to the fact that in Schedule P—Part 1 for the group of policy years prior to the three most recent years the greater of the suit liability (Column 11) or the estimates reserve (Column 12) is used and for each of the three latest years the greater of the remainder reserve (Column 17) or the estimates reserves (Column 18) is used. If this calculation were applied to each line individually there would be the possibility that the sum of the resulting reserves for the individual lines would amount to more than the reserve calculated on the basis of the combined lines.

This part of the schedule is of no value as respects the calculation of the liability loss reserves, but it serves as an exhibit of the automobile liability policy year experience and shows the estimates reserves for this line and the policy year loss ratios, including loss expense, on the basis of these reserves. By subtracting the figures shown in Part 1A from the corresponding figures in Part 1 it is possible to obtain the estimates reserves and the policy year experience for the liability other than auto line.

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 (1) of the current and previous year's schedules checks with Item 9, Column (5), Page 2 of the current year's statement.

The difference between the total of Column (1) and the unearned premium reserve—Item 24, Column (7), Page 7—checks with the total of Column (2).

The difference between the totals of Column (3) 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 (4) and (5) of this part do not check individually with the financial statement. The calendar year unallocated claim expense is shown separately at the bottom of Part 2, or on Part 4, and distributed to policy years upon the percentages prescribed in the standard compensation loss reserve laws. This permits the checking of Columns (4) and (5) between years similar to the check applied to Columns (4) and (5) of Part 1. 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 Item 20, Page 3 of the current year's statement.

The sections providing for the computation of the reserve and the policy year distribution of unallocated claim expenses require no particular comments.

Parts 3, 3A and 4

These three parts of the schedule as previously mentioned show the distribution of calendar year unallocated claim expenses to policy years for liability (including automobile), automobile liability and compensation respectively for companies which have been transacting the lines in question less than five years in case of liability and less than four years in case of compensation. If these schedules are applicable, the total current calendar year's unallocated liability claim expense included in Part 3 checks with the difference between the grand totals of Column (5) of Part 1 of the current and prior year's schedules. A similar check applies to Part 3A and Column (5) of Part 1A. The total current calendar year's compensation unallocated claim expense included in Part 4 checks with the difference between the grand totals of Column (5) of Part 2 of the current and prior year's schedules.

Parts 5 and 5A

These parts of the schedule are designed to furnish a test of the adequacy or accuracy of a company's reserves on the individual estimates basis (including or excluding reserves for allocated loss expense, depending on the basis used by the individual company), by comparing groups of incurred losses at a particular reserve date with the corresponding incurred losses developed to subsequent reserve dates.

The incurred losses are grouped by policy year and accident year. Losses with year of accident in the year of issue are "developed" for five years and those incurred in subsequent calendar years for four years.

No check between incurred losses contained in Part 5, or Part 5A, and those contained in Part 1, or Part 2, can be made as respects losses incurred in the calendar year of issue. However, in the case of companies which divide three year term business into three separate policy years, checks can be made by policy year between the respective parts of the schedule, as follows:

The sum of the incurred losses for policy year 1935, accident years 1935 and 1936, contained in Part 5, or Part 5A, for reserve dates Dec. 31, 1936 to Dec. 31, 1940 will check with the policy year 1935 incurred losses as contained in Part 1, or Part 2, of the annual statements for the corresponding calendar years. Expressed somewhat more concisely and using liability as an example—the sum of incurred losses, policy year 1935, accident years 1935 and 1936, reserve date Dec. 31, 1936, 1937, 1938, 1939 and 1940 as contained in Part 5, checks with the sum of Columns (3), (4) and (12), or sum of Columns (3) and (12), for policy year 1935, Part 1 of the annual statement for the corresponding calendar years. Similar checks can be made for policy years 1936, 1937, 1938 and 1939.

At the present time, policy year checks similar to the above cannot be made in the case of the statements of companies which charge all losses under policies running for a period of more than one year to the original policy year of issue.

SCHEDULE O (PAGE 29)*

(See Exhibit 11, Page 103)

Part 1 of 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 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 some 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 (11), is equal to the difference between (a) the reserve at the end of the previous year, Column (10), and (b) the sum of the amount paid during the current year on previous years' claims, Column (2) and the loss reserve on previous years' claims still outstanding at the end of the current year, Column (6); or to summarize algebraically:

Column (11) = Column (10) — [Column (2) + Column (6)]

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.

* The schedule reproduced is that which will be incorporated in the 1941 statement blank. Part 1 of the schedule contains the same essential information as contained in the schedule in the 1940 blank, the principal changes being the elimination of superfluous information and a rearrangement of columns. Part 2 is new in 1941.

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 79.

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

Column (10) checks by line with Items 2-14, Column (6), Page 5 of the previous year's statement except for fidelity and surety where the check is with Column (4).

It follows that Column (10) in case of fidelity and surety checks with the amounts shown in Column (2) of Schedule G of the current year's statement as outstanding at the end of the previous year.

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

It follows that Column (2) in case of fidelity and surety checks with Column (3) of Schedule G of the current year's statement with respect to losses and claims unpaid December 31 of the previous year.

Column (6) in case of fidelity and surety checks with the amounts shown in Column (4) of Schedule G with respect to the immediately preceding calendar year.

Column (8) 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 will be noted that Column (4) does not enter into the determination of the adequacy of the loss reserve—Column (11)—but is incorporated for checking purposes only; Column (5) which equals Column (2), plus Column (3), minus Column (4) 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 (4) 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 (11) but by Column (11) minus Column (4).

Part 2 provides for the development of non-cancellable accident and health incurred losses by year of accident for a period of two years beyond the year of statement. This part is similar in principle to Schedule P, Parts 5 and 5A.

Since this part is restricted to the development of losses occurring in only the four most recent accident years, no check with Column (11) of Part 1 can be made, since Column (11) is based upon all prior years of accident. The only check between the two parts is as follows; the sum of Column (3) and Column (7) of Part 1 equals the amount of incurred losses as of December 31 of the current year included in Part 2.

Schedule X—Unlisted Assets (Page 30)

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, but does not contemplate the inclusion of potential salvage assets.

Occasionally small amounts of income are derived from the assets carried in this schedule. In such cases 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."

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

Supplement to Underwriting and Investment Exhibit (Page 31)

The sub-title of this exhibit "Exhibit of Underwriting Gains and Losses by Lines of Business," is self-explanatory and the exhibit requires no particular elaboration. Since the allocation of underwriting expenses by lines of business occupies considerable time after the closing of the company books, the filing of this exhibit is not required until April 1 following the year of statement. Companies authorized to transact business in New York State are required to file a similar but more detailed exhibit, "New York Casualty Experience Exhibit" with that state and for such companies the basic data for the "Supplement" is available from the New York exhibit.

Since the Supplement totals balance with the Underwriting Exhibit totals, the incurred losses and consequent loss ratios are based upon the formula loss reserves, rather than upon the individual estimates reserves, for the auto liability, other liability and compensation lines. For this reason the underwriting results for these lines are distorted and of little value. There is also the question of the desirability of including in the underwriting gain or loss the "Gain (or loss) from underwriting profit and loss items." The exhibit is not of sufficient importance to justify its reproduction.

Schedule T—Exhibit of Premiums Written Allocated by States and Territories (Page 32)

This exhibit provides for an analysis of total net premiums written by state and territory for all lines of business combined. Premiums are divided as follows:

Direct writings—Column (1)

Reinsurance assumed from
- Unauthorized companies—Column (2)
- Authorized companies—Column (3)

Reinsurance ceded to
- Unauthorized companies—Column (4)
- Authorized companies—Column (5)

Net premiums—Column (6)

In addition, provision is made for showing net dividends paid or credited to policyholders—Column (7).

The following are the various checks between the schedule, the financial statement and the exhibit of state business:

The sum of the totals of Columns (1), (2) and (3) checks with the difference between Columns (1) and (2) of Item 20, Page 2 of statement.

The sum of the totals of Columns (4) and (5) checks with Column (3) of Item 20, Page 2.

The total of Column (6) checks with Column (5) of Item 20, Page 2.

The total of Column (7) checks with the extended amount of Item 52, Page 3 of statement.

The amount in Column (1) for an individual state checks with Column (1) of Item 17, Page 10 of statement.

The sum of the amounts in Columns (2) and (3) for an individual state checks with Column (2) of Item 17, Page 10.

The sum of the amounts in Columns (4) and (5) for an individual state checks with Column (3) of Item 17, Page 10.

The amount of Column (6) for an individual state checks with Column (4) of Item 17, Page 10.

The amount of Column (7) for an individual state checks with Column (5) of Item 17, Page 10.

The preparation of this schedule involves considerable time following the compilation of other more essential statement records and consequently filing is not required until March 15 following the year of statement.

It is questionable whether this schedule is of sufficient importance to justify its requirement, since for most states all essential information for state premium tax purposes is contained in detail by line of business in the exhibit of state business on Page 10. The schedule is not reproduced.

ADDENDUM

In addition to the revised Schedule O, the following changes, none of which have any material effect upon the text of this or the previous paper (Vol. XXVII, Page 294), will be incorporated in the 1941 statement blank. The changes are taken from the 1941 Report of the Committee on Blanks of the National Association of Insurance Commissioners. The changes applicable exclusively to the casualty blanks are given verbatim. Those applicable to all blanks have been edited to reflect their applications to the casualty blank. The "reasons" stated are taken verbatim from the report.

Pages 2, 3, 4, 5, 6, 7, 10, 29 and 31:

Change "Steam Boiler" to "Boiler" and "Plate Glass" to "Glass" throughout the statement.

Reason: Proposed phraseology more accurately describes these lines of business.

Page 3, line 43, and Page 4, line 47:

Change words "Furniture and Fixtures" to read "Furniture and Equipment."

Reason: To provide a more accurate description.

Page 5:

Change heading "V—Liabilities" to read "V—Liabilities, Surplus, and Other Funds."

Reason: To correspond with Life Blank and to provide recognition of accounts not strictly regarded as liabilities.

Page 9, line 51, and footnote (d):

Change reference (d) to (c) in each case.

Reason: To correct an error.

Page 9, line 75:

Delete printed matter and make this a blank line similar to lines 76 and 77, preceded only by the footnote designation "(a)".

Reason: Inappropriate to require designation of "Gain" or "Loss" as both gains and losses are provided for in separate columns. New line will provide additional space for miscellaneous items.

Page 9, line 87:

Change to read "Per cent of investment expenses incurred to gross interest, dividends and rents earned . . . ."

Reason: In order to include dividends which are already reported as a part of investment earnings.

Schedule A, Part 3:

Append footnote to column headed "Book Value at date of sale less incumbrances" reading as follows:

"In case of sales under contract, include payments received during current year only, until book value per Part 1 is exhausted."

Also add to double starred footnote referring to "Cost to Company" column the following sentence:

"In reporting sales under contract, include payments received during the current year only."

Reason: To indicate that "Book Value" and "Cost to Company" should be reduced by payments received or purchase money mortgage taken during the year of report and to secure uniformity of practice.

Schedule D, Part 1:

Put printer's symbol in Column (1) preceding the word "Description" referring to a footnote reading as follows:

"Where a bond is payable in a foreign currency, the par value payable in that currency should be included as a part of the description."

Reason: To secure necessary information in connection with audit of annual statements.

Schedule E:

Add to subheading in Column (2) the parenthetical expression: "(Exclusive of Liability and Compensation)."

Reason: It is sometimes found upon audit that reinsurance on liability and compensation losses is included in this schedule, thus preventing Column (2) from checking with corresponding item on page 5.

Schedule N:

Eliminate day of month appearing in headings.

Reason: Caption of schedule already indicates that balance is for the last day of each month.

Schedule P, Parts 1, 1A, and 2:

In Columns (4a) and (5a) substitute the word "Percentage" for the word "Ratio."

Reason: In order to have phraseology in headings consistent with Column (8).

Schedule P, Parts 1, 1A, and 2:

In first column delete the words "First period" in first horizontal line and "Second period" in the tenth horizontal line.

Reason: To eliminate unnecessary headings.

Schedule P, Part 2:

Change heading of Column (10) to read: "(f) Amount" and add the following footnote:

> "(f) State maximum rate of interest used in determining present values of future payments ....%"

Reason: Some companies value certain outstanding claims at 3% or 3½% or use no interest discount whatsoever.

EXHIBIT 1

Form 3 ANNUAL STATEMENT FOR THE YEAR 1940 OF THE..
(*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 2	(3) Excess of original premiums over amount received for reinsurance	(4) Total	(5) Deduct expirations and cancellations	(6) In force at the end of the year	(7) Deduct amount reinsured (Schedule F)	(8) 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) Advance premiums (100%)	(6) Total premiums per column 8 above	(7) Total unearned premiums
	Premiums	Amount unearned*	Premiums	Amount unearned (pro rata)			
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							

†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 line of business.

*State here basis of computation used in each case..................

STATE OF..................
COUNTY OF.................. } ss:

.................., President, ..., Secretary, and ....‡Treasurer of the.................., being duly sworn, each for himself deposes and says that they are the above-described officers of the said company, and that on the thirty-first day of December last, all of the above-described assets were the absolute property of the said company, free and clear from any liens or claims thereon, except as above stated, and that the foregoing statements, with the schedules and explanations therein contained, annexed or referred to, are a full and correct exhibit of all the assets, liabilities, income and disbursements and of the condition and affairs of the said company on the said thirty-first day of December last, and for the year ended on that date, according to the best of their information, knowledge and belief, respectively.

Subscribed and sworn to before me this..................
day of..................1941.

.... President

.... Secretary

.... ‡Treasurer

NOTE.—United States manager must amend affidavit to show clearly that it covers the statement of the United States branch.

‡Or corresponding person having charge of the accounts and finances of the company.

EXHIBITS AND SCHEDULES

EXHIBIT 2

ANNUAL STATEMENT FOR THE YEAR 1940 OF THE .... Form 3
(Write or stamp name of Company)

EXHIBIT OF PREMIUMS WRITTEN AND LOSSES PAID

BUSINESS IN THE STATE OF CONNECTICUT DURING THE YEAR

PREMIUMS WRITTEN

CLASS	GROSS PREMIUMS, INCLUDING POLICY AND MEMBERSHIP FEES, LESS RETURN PREMIUMS AND PREMIUMS ON POLICIES NOT TAKEN			Net Premiums	Dividends Paid or Credited to Policyholders, Less Received On Reinsurance
	Direct Writings (1)	Reinsurance Assumed (2)	Reinsurance Ceded (3)	(4)	(5)
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*					

*To agree with Schedule T.

LOSSES PAID

CLASS	Gross losses paid (deducting salvage) (1)	Deduct losses on risks reinsured (2)	Net losses paid column 1, minus column 2 (3)
18. Accident			
19. Health			
20. Non-cancellable accident and health			
21. Auto liability			
22. Liability other than auto.			
23. Workmen's compensation.			
24. Fidelity			
25. Surety			
26. Plate glass			
27. Burglary and theft			
28. Steam boiler			
29. Machinery			
30. Auto property damage			
31. Auto collision			
32. Property damage and collision other than auto			
33. (a)........................			
34. TOTALS			

(a) Enter line of business.

EXHIBIT 3

Form 3

ANNUAL STATEMENT FOR THE YEAR 1940 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.	(1) Quantity, Dimensions and Location of Lands; Size and Description of Buildings (Nature of Incumbrances, if any, including interest due and accrued)	(2) Date Acquired	(3) Name of Vendor	(4) Amount of Incumbrances $	(5) *Actual Cost $	(6) Book Value, Less Incumbrances $	(7) †Market Value, Less Incumbrances $	(8) Increase, by Adjustment, in Book Value During Year $	(9) Decrease, by Adjustment, in Book Value During Year $	Gross and Net Income, Taxes, Repairs and Expenses for Each of Last Three Years — 1938: (10) Gross Income, Less Interest on Incumbrances $	1938: (11) Net Income $	1939: (12) Gross Income, Less Interest on Incumbrances $	1939: (13) Net Income $	1940: (14) Gross Income, Less Interest on Incumbrances $	1940: (15) Expended for Taxes, Repairs and Expenses $	1940: (16) Net Income $	(17) Rental Value of Space Occupied by Company $	(18) Superintendent of Insurance's Certificates of Extension — Date of Issue	(18) Extended To
			Totals																

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

†State basis on which market value was determined..

CLASSIFICATION

Showing the total amount of Real Estate owned in each State and Foreign Country

State	Market Value	State	Market Value	State	Market Value	State	Market Value	Foreign Country	Market Value
	$		$		$		$		$
Totals,	$		$		$		$		$

Form 3

ANNUAL STATEMENT FOR THE YEAR 1940 OF THE ....
(Write or stamp name of Company)

SCHEDULE A—Part 2

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

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

SCHEDULE A—Part 3

Showing All Real Estate **SOLD** *or Otherwise Disposed of During the Year Including Payments During the Year on "Sales under Contract"*

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

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

SCHEDULE A—Verification Between Years

Book Value, December 31, Previous Year (Item 1, Page 4, Annual Statement) . . . . ________
Current Year:—
Increase by Adjustment: Totals, Part 1, Col. (8) . . . . ________
Totals, Part 3, Col. (5) . . . . ________
Cost of Acquired, Part 2, Col. (5) . . . . ________
Cost of Additions and Permanent Improvements, Part 2, Col (6) . . . . ________
Profit on Sales, Part 3, Col. (9) . . . . ________
Total . . . . ________
Less:—
Decrease by Adjustment: Totals, Part 1, Col. (9) . . . . ________
Totals, Part 3, Col. (6) . . . . ________
Received on Sales, Part 3, Col. (8) . . . . ________
Loss on Sales, Part 3, Col. (10) . . . . ________ ________
Book Value, December 31, Current Year (Item 1, Page 4) . . . . ________

EXHIBIT 4

Form 3

ANNUAL STATEMENT FOR THE YEAR 1940 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	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	$			$			$			$			$	

EXHIBIT 5

Form 3

ANNUAL STATEMENT FOR THE YEAR 1940 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	Interest: 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	Collateral Substituted: Date	Collateral Substituted: Par Value	Collateral Substituted: Market Value	Collateral Released: Description	Collateral Released: Date	Collateral Released: Par Value	Collateral Released: 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 1940 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*

No.	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	Collateral Substituted: Date	Collateral Substituted: Par Value	Collateral Substituted: Market Value	Collateral Released: Description	Collateral Released: Date	Collateral Released: Par Value	Collateral Released: 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	Collateral Substituted: Date	Collateral Substituted: Par Value	Collateral Substituted: Market Value	Collateral Released: Description	Collateral Released: Date	Collateral Released: Par Value	Collateral Released: 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.

EXHIBIT 6

Form 3

Bonds to be grouped in following manner and each group arranged alphabetically:
Government
States, Territories and Possessions
Political Subdivisions of States, Territories and Possessions
Railroad
Public Utilities
Industrial and Miscellaneous Show sub-totals for each group.

ANNUAL STATEMENT FOR THE YEAR 1940 OF THE..
(Write or stamp name of Company)

SCHEDULE D—Part 1

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

Supplemental columns for data concerning Amortization. *See Note*

(1) 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.	(2) INTEREST		(3) DATE OF			(4) Book Value	(5) Par Value	(6) Rate Used to Obtain Market Value	(7) Market Value (excluding accrued interest)	(8) Actual Cost (excluding accrued interest)	(9) INTEREST		(10) Increase, by Adjustment, in Book Value During Year	(11) Decrease, by Adjustment, in Book Value During Year	(12) Amount of Interest due and accrued Dec. 31, current year, on bonds in default as to principal or interest	(13) Are These Bonds Amply Secured?	(14) Year Acquired	(15) Effective Rate of Interest at Which Purchase Was Made	(16) †Amortized or Investment Value Dec. 31 of Current Year	(17) ‡Increase in Amortized Value During Year	(18) ‡Decrease in Amortized Value During Year
	Rate of	*How Paid	Maturity Year	Maturity Month	Option						Amount Due and Accrued Dec. 31 of Current Year on bonds not in default	Gross Am't Received During Year									
						$	$		$	$	$	$	$	$	$				$	$	$
Totals	....	....	....	....	....	$	$	....	$	$	$	$	$	$	$	....	....	....	$	$	$

*Insert initial letters of months in which interest is payable.

†Perpetual bonds, bonds in default as to principal or interest, and bonds not amply secured, are to be entered in this column at market value.
‡Companies which use "Amortized Values" as "Book Values" may omit entering figures in these columns, and provide the following footnote: "The increases and decreases in amortized values are the same as those shown in columns for 'Increase and Decrease by Adjustment in Book Value,' excepting as otherwise indicated."
NOTE—This supplemental information, required of all Companies which amortize their bonds, is not to be used as a substitute for the information required in the preceding columns but in addition thereto.

Form 3

Stocks to be grouped in the following order and each group arranged alphabetically:
Railroad
Public Utilities
Banks Trust and Insurance Companies
Industrial and Miscellaneous Show sub-totals for each group

ANNUAL STATEMENT FOR THE YEAR 1940 OF THE ....
(Write or stamp name of Company)

SCHEDULE D—Part 2

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

(1) DESCRIPTION Give complete and accurate description of all stocks owned, including redeemable options, if any, and location of all street railway, bank, trust and miscellaneous companies	(2) No. of Shares	(3) Par Value per Share	(4) Book Value	(5) Rate per Share Used to Obtain Market Value	(6) Market Value	(7) Actual Cost	(8) DIVIDENDS				(9) Increase, by Adjustment, in Book Value During Year	(10) Decrease, by Adjustment, in Book Value During Year	(11) Year Acquired
							Rate of in Each of Last Three Years 1938	1939	1940	Amount Received During Year			
		$	$		$	$				$	$	$	
Totals,	....	....	$	....	$	$	....	....	....	$	$	$	....

Form 3

Stocks and bonds to be grouped separately showing sub-totals for each group.

ANNUAL STATEMENT FOR THE YEAR 1940 OF THE..
(Write or stamp name of Company)

SCHEDULE D—Part 3

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

(1) DESCRIPTION Give complete and accurate description of each bond and stock, including location of all street railway, bank, trust and miscellaneous companies. If bonds are serial issues give amounts maturing each year. Give full information as to redeemable options, if any, for each bond and stock	(2) Date Acquired	(3) NAME OF VENDOR	(4) No. of Shares of Stock	(5) Actual Cost (excluding accrued interest on bonds)	(6) Par Value of Bonds	(7) Paid for Accrued Interest on Bonds Acquired During Year
				$	$	$
	....	Totals	....	$	$	$

Stocks and bonds to be grouped separately showing sub-totals for each group.

SCHEDULE D—Part 4

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

(1) DESCRIPTION Give complete and accurate description of each bond and stock, including location of all street railway, bank, trust and miscellaneous companies. If bonds are serial issues give amounts maturing each year. Give full information as to redeemable options, if any, for each bond and stock	(2) Date Sold	(3) NAME OF PURCHASER	(4) No. of Shares of Stock	(5) Consideration (excluding accrued interest on bonds)	(6) Par Value of Bonds	(7) Actual Cost (excluding accrued interest on bonds)	(8) Book Value at Date of Sale	(9) Increase, by Adjustment, in Book Value During Year	(10) Decrease, by Adjustment, in Book Value During Year	(11) Profit on Sale	(12) Loss on Sale	(13) Interest on Bonds Received During Year (including accrued interest on bonds sold)	(14) Dividends on Stock Received During Year
				$	$	$	$	$	$	$	$	$	$
		Totals	....	$	$	$	$	$	$	$	$	$	$

EXHIBITS AND SCHEDULES

EXHIBIT 7

Form 3 ANNUAL STATEMENT FOR THE YEAR 1940 OF THE ....
(Write or stamp name of Company)

SCHEDULE E

Showing Names and Locations of Companies and Amounts Recoverable for all 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.

ANNUAL STATEMENT FOR THE YEAR 1940 OF THE .... Form 3
(Write or stamp name of Company)

SCHEDULE G

Showing Net Losses Paid on Fidelity and Surety claims that were undisposed of December 31st of the following years, as compared with Estimated Liability per Annual Statement of the respective years and at end of Current Year

(1)		(2)		(3)		(4)		(5)		(6)	
Net Losses and Claims Unpaid December 31st per Annual Statement For Each of the Following Years (Exclude Reserves for Claims Incurred But Not Reported) Viz:				Total Amount Paid to Date		Estimated Liability December 31st Current Year		Total (Col. 3 + Col. 4)		Increase or (—) Decrease Estimated Liability (Diff. Col. 2 and 5)	
1933	Fidelity										
	Surety										
1934	Fidelity										
	Surety										
1935	Fidelity										
	Surety										
1936	Fidelity										
	Surety										
1937	Fidelity										
	Surety										
1938	Fidelity										
	Surety										
1939	Fidelity										
	Surety										

SCHEDULE H

Showing all Gross Salvage received during the year (without deducting reinsurance) on account of Losses and Claims paid prior to and including December 31 of Current Year, which is shown in line 17, column 2, page 3, and deducted from the Disbursements in the Annual Statement for the year ended December 31 of Current Year

AMOUNT OF SALVAGE RECEIVED IN CASH, VIZ: ON LOSSES OF THE CURRENT YEAR, $..................; ON LOSSES OF PREVIOUS YEARS, UNPAID DECEMBER 31 OF PREVIOUS YEAR, $..................; ON LOSSES OF PREVIOUS YEARS PAID PRIOR TO DECEMBER 31 OF PREVIOUS YEAR, $..................; TOTAL, $..................

EXHIBIT 8

Form 3

ANNUAL STATEMENT FOR THE YEAR 1940 OF THE..

(Write or stamp name of Company)

SCHEDULE P—Part 1

Reserve for Unpaid Liability (including Automobile) 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)	(e) LIABILITY LOSS EXPENSE PAYMENTS: Allocated (4)	Ratio of allocated expense to losses paid (4a)	Unallocated (5)	Ratio of unallocated expense to losses paid (5a)	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 Dec. 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)
First period Prior to 1931	$	$	$	$		$		$	$				$	$	$	
1931												$1,500				
1932												1,000				
1933												1,000				
1934												1,000				
1935												1,000				
1936												1,000				
1937												850				
Total first period												850				
Second period 1938																
1939												750				
1940												750				
Total second period												750				
Grand totals	$	$	$	$		$		$	$			$	$	$	$	

COMPUTATION OF RESERVE FOR UNPAID LIABILITY (INCLUDING AUTOMOBILE) LOSSES

Years in which liability policies were issued	60% of earned premiums stated in Col. 2, second period (15)	Deduct loss payments and expense stated in Col. 7, second period (16)	Remainder (Col. 15 less Col. 10) If negative enter "O." (17)	Estimated Reserve for liability losses; case-basis (Col. 12, second period) (18)	Carry out for each year amount stated in Cols. 17 or 18, whichever is greater (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)
1938	$	$	$	$	$	$	$	$	
1939									
1940									
Totals	$	$	$	$	$	$	$	$	

(24) Reserve for unpaid liability losses, first period (Col. 11, first period, or Col. 12, first period, whichever is greater) $

(25) Reserve for unpaid liability losses, second period (total of Col. 21)

(26) Total reserve for unpaid liability losses $

Distribution of Unallocated Liability (including Automobile) Claim Expenses

For Companies which have been issuing Policies 5 Years or more.

Calendar years in which payments were made	Amount of unallocated liability payments	Prior to 1931	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940
Prior to 1940	$											
1940								5%	10%	10%	40%	35%
Totals	$											

EXHIBIT 9

Form 3

ANNUAL STATEMENT FOR THE YEAR 1940 OF THE..
(Write or stamp name of Company)

SCHEDULE P—Part 2

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 (1)	Amount of earned compensation premiums (See notes b and c) (2)	(d) Compensation loss payments (3)	(e) COMPENSATION LOSS EXPENSE PAYMENTS: Allocated (4)	Ratio of allocated expense to losses paid (4a)	Unallocated (5)	Ratio of unallocated expense to losses paid (5a)	Total (6)	Compensation loss and loss expense payments (Col. 3 plus Col. 6) (7)	Percentage of payments to premiums earned (Col. 7 divided by Col. 2) (8)	Unpaid Compensation claims December 31 of current year: No. (9)	Present value at.......per centum interest of estimated future payments (10)	Total compensation losses (sum of items in Cols. 7 and 10) (11)	Compensation loss ratio (Col. 11 divided by Col. 2) % (12)
First period Prior to 1931	$	$	$	$		$		$	$			$	$	
1931														
1932														
1933														
1934														
1935														
1936														
1937														
Total first period														
Second period 1938														
1939														
1940														
Total second period														
Grand totals	$	$	$	$		$		$	$			$	$	

COMPUTATION OF RESERVE FOR UNPAID COMPENSATION LOSSES

Years in which compensation policies were issued	65% of earned premium stated in column 2 (13)	Deduct loss payments and expense stated in column 7 (14)	Remainder (Col. 13 less Col. 14 If negative enter "O") (15)	Unpaid compensation claims (Col. 10) (16)	Carry out for each year amount stated in Col. 15 or 16, whichever is greater (17)	AS COMPUTED BY THE COMPANY: Voluntary additional reserve for unpaid compensation losses (18)	Total compensation loss reserves (Col. 17 plus Col. 18) (19)	Total incurred compensation losses (Col. 14 plus Col. 19) (20)	Incurred loss ratio (Col. 20 divided by Col. 2) % (21)
1938	$	$	$	$	$	$	$	$	
1939									
1940									
Totals	$	$	$	$	$	$	$	$	
(22) Reserve for unpaid compensation losses first period (Col. 10, total first period)					$				
(23) Reserve for unpaid compensation losses second period (Total of Col. 19)									
(24) Total reserve for unpaid compensation losses					$				

Distribution of Unallocated Compensation Claim Expenses

For Companies which have been issuing Policies 4 Years or more.

Calendar Years in which payments were made	Amount of Unallocated Compensation Payments	Prior to 1931	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940
Prior to 1940	$											
1940									5%	10%	45%	40%
Totals	$											

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:..........................

EXHIBIT 10

ANNUAL STATEMENT FOR THE YEAR 1940 OF THE ____________________ Form 3
(Write or stamp name of Company)

SCHEDULE P—Part 5

Development of Incurred Liability Losses

Sum of Columns (3), (4) and (12)—Schedule P—Part 1 [Sum of Columns (3) and (12) only if company does not include reserve for allocated loss expense in Column (12)]

Policy years	Years in which losses were incurred	RESERVE DATE Dec. 31, 1935	Dec. 31, 1936	Dec. 31, 1937	Dec. 31, 1938	Dec. 31, 1939	Dec. 31, 1940	
1935	1935							
1935	1936	X X X						
1936	1936	X X X						
1936	1937	X X X	X X X					
1937	1937	X X X	X X X					
1937	1938	X X X	X X X	X X X				
1938	1938	X X X	X X X	X X X				
1938	1939	X X X	X X X	X X X	X X X			
1939	1939	X X X	X X X	X X X	X X X			
1939	1940	X X X	X X X	X X X	X X X	X X X		
1940	1940	X X X	X X X	X X X	X X X	X X X		
*1933	1936	X X X						
*1934	1936	X X X						
*1934	1937	X X X	X X X					
*1935	1937	X X X	X X X					
*1935	1938	X X X	X X X	X X X				
*1936	1938	X X X	X X X	X X X				
*1936	1939	X X X	X X X	X X X	X X X			
*1937	1939	X X X	X X X	X X X	X X X			
*1937	1940	X X X	X X X	X X X	X X X	X X X		
*1938	1940	X X X	X X X	X X X	X X X	X X X		

SCHEDULE P—Part 5A

Development of Incurred Compensation Losses

Sum of Columns (3), (4) and (10)—Schedule P—Part 2 [Sum of Columns (3) and (10) only if company does not include reserve for allocated loss expense in Column (10)]

Policy years	Years in which losses were incurred	RESERVE DATE Dec. 31, 1935	Dec. 31, 1936	Dec. 31, 1937	Dec. 31, 1938	Dec. 31, 1939	Dec. 31, 1940	
1935	1935							
1935	1936	X X X						
1936	1936	X X X						
1936	1937	X X X	X X X					
1937	1937	X X X	X X X					
1937	1938	X X X	X X X	X X X				
1938	1938	X X X	X X X	X X X				
1938	1939	X X X	X X X	X X X	X X X			
1939	1939	X X X	X X X	X X X	X X X			
1939	1940	X X X	X X X	X X X	X X X	X X X		
1940	1940	X X X	X X X	X X X	X X X	X X X		
*1933	1936	X X X						
*1934	1936	X X X						
*1934	1937	X X X	X X X					
*1935	1937	X X X	X X X					
*1935	1938	X X X	X X X	X X X				
*1936	1938	X X X	X X X	X X X				
*1936	1939	X X X	X X X	X X X	X X X			
*1937	1939	X X X	X X X	X X X	X X X			
*1937	1940	X X X	X X X	X X X	X X X	X X X		
*1938	1940	X X X	X X X	X X X	X X X	X X X		

*These lines to be filled in only by companies which charge all losses under policies running for a period of more than one year to the original policy year of issue.

EXHIBIT 11

Form 3

ANNUAL STATEMENT FOR THE YEAR 1941 OF THE ....
(Write or stamp name of Company)

SCHEDULE O—Part 1

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

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

(a) Enter "Credit {Item 14 / Item 17} page 5," or other lines of business.
(b) Fidelity and Surety reserves obtained from column (4) lines 5 and 6, page 5.
(c) Fidelity and Surety estimated liability obtained from column (4) lines 5 and 6, page 5 of last year's statement.

*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 2 and 3 include (1) received in cash, and (2) recoverable (charged during year of statement) if carried as a ledger asset; as used in column 4 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.

SCHEDULE O—Part 2

Development of Incurred Losses
Non-Cancellable Accident and Health Insurance

Sum of net amount paid policyholders for losses and reserve for losses outstanding at end of year

Years in Which Losses Were Incurred	RESERVE DATE Dec. 31, 1941	Dec. 31, 1942	Dec. 31, 1943	Dec. 31, 1944	Dec. 31, 1945
1941				X X X	X X X
1942	X X X				X X X
1943	X X X	X X X			
1944	X X X	X X X	X X X		
1945	X X X	X X X	X X X	X X X	