

ARKANSAS



DEPARTMENT OF COMMERCE
INSURANCE DEPARTMENT

400-18 UNIVERSITY TOWER BUILDING
LITTLE ROCK, ARKANSAS 72204

December 15, 1975

ARK MONROE III
INSURANCE COMMISSIONER
(501) 371-1325

DONALD V. ALLEN
DIRECTOR OF COMMERCE
(501) 371-2231

IN THE MATTER OF ADOPTION
OF RULE AND REGULATION 20

TO: ALL LIFE INSURERS AUTHORIZED TO TRANSACT INSURANCE IN
THE STATE OF ARKANSAS

Notice is hereby given that pursuant to Ark. Stats. Ann. §66-2111 and §66-3010 and other applicable provisions of the Arkansas Insurance Code, the Arkansas Insurance Department has promulgated and adopted Rule and Regulation 20 which is designed to assure truthful and complete disclosure of financial information provided shareholders and policyholders of life insurance companies in the form of financial statements directed to such shareholders, such policyholders, or the general public. We call your attention specifically to the effective date of this new Rule and Regulation 20 contained in Section 6 thereof.

This Regulation provides that life insurers publishing financial statements prepared on a basis different from its statutory statements shall disclose that the basis is different and that the differing statement has been prepared in accordance with the requirements of a competent authority. If the surplus in such statement is different than that shown on a statutory basis, then the statutory surplus must be disclosed in equal prominence. Further, the insurer must file the differing statements with the Commissioner along with supporting data.

A handwritten signature in cursive script, reading "Ark Monroe III".

Ark Monroe, III
Insurance Commissioner

RULE AND REGULATION 20

FINANCIAL REPORTING BY LIFE INSURANCE COMPANIES

SECTION 1. Authority and Scope

1.1 These rules are hereby promulgated and adopted pursuant to the authority provided in Ark. Stats. Ann. §66-2111 and §66-3010.

1.2 These rules shall apply to any publication of financial data, whether in the form of a report to shareholders, report to policyholders, prospectus, newspaper advertisement or any other vehicle which is intended to present the company's financial structure or the financial results of its operations.

SECTION 2. Purpose

2.1 The purpose of these rules is to assure truthful and complete disclosure of financial information provided shareholders and policyholders of life insurance companies in the form of financial statements directed to such shareholders, such policyholders or the general public.

SECTION 3. Definitions

3.1 "Statutory statement" means the statement of financial condition, transactions and affairs prescribed by Ark. Stats. Ann. §66-2220, any abstract of that statement or any statement prepared by the same methods and under the same assumptions.

3.2 "Competent authority" as used in this regulation shall include, but not be limited to, the Securities and Exchange Commission, the Blue Sky Commission of any state or other political body, and any public securities exchange.

SECTION 4. Standards of Disclosure

4.1 If a life insurer publishes financial statements prepared on a basis different from the basis of its statutory statements filed with the Commissioner,

- (a) such differing statements must disclose that their basis differs from that of the insurer's statutory statements filed with the Commissioner and must, in the case of full-year differing statements, be accompanied by a reconciliation of the figures in such differing statements with figures in the insurer's statutory statements filed with the Commissioner;
- (b) such differing statements must have been prepared on a basis which is in accordance with requirements of a competent authority, whether or not such requirements are specifically applicable to the individual insurer;

- (c) such differing statements must, if they show an amount of surplus which differs from the amount of surplus on the basis of the insurer's statutory statements filed with the Commissioner; disclose in equal prominence the amount of statutory surplus and any restrictions on any excess of the surplus according to such differing statements over the surplus on the basis of the insurer's statutory statements filed with the Commissioner. Examples of such restrictions include statutory limitations on stockholder and policyholder dividends, since such limitations are in terms of amounts of statutory surplus only;
- (d) a copy of such differing statements must be sent to the Commissioner, for information, accompanied in the case of full-year differing statements by:
 - (i) a reconciliation of figures in such differing statements with figures in the insurer's statutory statements filed with the Commissioner, and (ii) additional schedules in the format of Exhibit 3 and Exhibit 4;
- (e) a record of the actuarial assumptions underlying such differing statements, together with documentation of the various items of such statements, must be preserved at the insurer's home office for a period of at least five years following publication of such statements.

The reconciliation required by (a) and (d)(i) should be generally in the form of Exhibit 1 and Exhibit 2, which may be expanded to show additional significant detail.

4.2 If the insurer publishes financial information not based on statutory accounting principles, (a) such information must (unless a change in accounting practice or policy has been adopted in the current year, in which case the change must also be disclosed) be consistent with figures in complete statements covering a full year no earlier than for insurer's latest completed fiscal year, which have been prepared and sent to the Commissioner in accordance with the requirements of this regulation, and (b) if such information includes the insurer's surplus according to such differing statements, it must disclose with equal prominence the insurer's surplus on the basis of the insurer's statutory statement filed with the Commissioner and must indicate any restrictions on the excess (if any) of the former over the latter. Examples of such restrictions include statutory limitations on stockholder and policyholder dividends, since such limitations are in terms of amounts of statutory surplus only.

4.3 If a life insurer's differing figures are included in financial statements or other financial information published by a parent or affiliate of the insurer, the insurer shall send to the Commissioner a copy of the published information accompanied by any reconciliation which it would have been required to send to the Commissioner if it had published similar information on its own, except that if two or more life insurers' figures are included in the information published by the parent or affiliate company, such reconciliation may be prepared on the basis of all such insurer's figures combined.

SECTION 5. Severability

5.1 If any Section or portion of a Section of these rules, or the applicability thereof to any person or circumstance, is held invalid by a court, the remainder of the rules, or the applicability of such provision to other persons or circumstances shall not be affected thereby.

SECTION 6. Effective Date

6.1 The effective date of this Rule and Regulation is December 31, 1975.

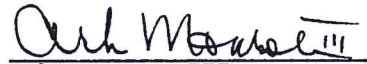

Ark Monroe, III
Insurance Commissioner

EXHIBIT 1

RECONCILIATION BETWEEN STATUTORY CAPITAL
AND SURPLUS AND STOCKHOLDERS' EQUITY
AS SHOWN IN ACCOMPANYING STATEMENT

Capital and surplus as shown on page 3, line 30 of statutory statement		\$.....
Adjustments (to be added or deducted as appropriate):		
Adjustments to policy reserves	\$.....	
Deferred acquisition costs	.....	
Adjustments arising from special reinsurance agreements	.....	
Adjustments for participating policyholders' interests	.....	
Non-admitted assets	.....	
Mandatory securities valuation reserve	.....	
Deferred income taxes applicable to:		
Adjustments to policy reserves, deferred acquisition costs, and special reinsurance agreements	.....	
Net unrealized gains on investments	.....	
Other	.....	<u>.....</u>
Stockholders' equity		\$ <u>.....</u>
		<u>.....</u>
		<u>.....</u>

NOTE: The treatment of investment gains and losses illustrated here
is just one of various possible treatments.

EXHIBIT 2

RECONCILIATION BETWEEN STATUTORY NET GAIN FROM OPERATIONS AND NET INCOME AS SHOWN IN ACCOMPANYING STATEMENT

Net gain (loss) from operations as shown on page 4, line 33 of statutory statement.	\$.....
Adjustments (to be added or deducted as appropriate):	
Adjustments to policy reserves	.....
Change in deferred acquisition costs	.....
Adjustments arising from special reinsurance agreements	.....
Adjustments for participating policyholders' interests	.....
Deferred income taxes applicable to adjustments to policy reserves and deferred acquisition costs and special reinsurance agreements	.....
Equity in undistributed earnings of unconsolidated subsidiaries, net of related income taxes \$.....	<u>.....</u>
Income, excluding realized investment gains and losses	.....
Realized investment gains and losses net of related income taxes of \$.....	<u>.....</u>
Net income as shown in accompanying statement	\$ <u>.....</u> <u> </u> <u> </u>

NOTE: The treatment of investment gains and losses illustrated
here is just one of various possible treatments.

EXHIBIT 3 : FUTURE POLICY BENEFITS AND INSURANCE IN FORCE

Column A	Column B	Column C	Column D	Column E		
Line of business ¹	Life insurance in force	Amount of future policy benefits	Years of issue	Bases of assumptions		
				(1)	(2)	(3)
				Interest rate	Mortality	Withdrawals

The required information shall be given for each of the following lines of business: industrial life insurance, ordinary life insurance, group life insurance, individual annuities, group annuities, group accident and health insurance, individual accident and health insurance, credit life, credit accident and health and all other.

EXHIBIT 4: DEFERRED POLICY ACQUISITION COSTS

Column A	Column B	Column C	Column D		Column E	Column F	Column G
Line of business	Balance at beginning of period	Additions	Deductions		Balance at close of period	First Year premiums written	Renewal premiums written
			(1) Charged to costs and expenses	(2) Charged to other accounts-- describe			

The required information shall be given for each of the following lines of business:
 industrial life insurance, ordinary life insurance, group life insurance, individual annuities,
 group annuities, group accident and health insurance, individual accident and health insurance,
 credit life insurance, credit accident and health insurance and all other.