CENTRALE BANK VAN CURACAO EN SINT MAARTEN
(CENTRAL BANK)

GENERAL INSURANCE ANNUAL STATEMENT COMPOSITION AND VALUATION GUIDELINES

NON-LIFE INSURANCE

ARAS v2.7

WILLEMSTAD, September 2015

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INTRODUCTION

The National Ordinance on Insurance Supervision (P.B. 1990, No.77) requires all insurance companies doing business in or through Curacao and Sint Maarten to annually file with the Centrale Bank van Curacao en Sint Maarten (the Bank), statements which provide a clear picture of the insurance business conducted by the insurer and its overall financial position.

These statements are one of the key elements of the Bank's Insurance Supervisory Plan (Plan) that provides for a reporting system which includes an effective disclosure, has uniformity in the reported data and is utilized as a basis for data retention. The latter will become the foundation for historical analysis.

In addition the Plan stipulates that the systems should include a complete financial and operational disclosure that when analyzed will give the Bank, the insurers, other supervisory authorities as well as other interested parties an indication of current operational and financial trends and enable them to project those trends to the future.

Further, the statements should be designed to bring uniformity and consistency to the information reported by the industry. These statements will afford the industry and the Bank with an avenue for equal evaluation and accommodate program analysis through its uniformity in retained data.

The stipulations of the Plan relative to the annual statement have been addressed in the General Insurance Annual Statement (the Statement) which is generated by the ARAS Systems (Annual Reports Automated Statements).

The Statement includes a file for the balance sheet, a file for the profit and loss statement, a file for equity analysis, solvency files, operational files, asset disclosure files, technical files, and actuarial as well as external auditor's certification pages.

The ARAS systems automate the data entered by the user to the extent that the ARAS aids in the preparation of an individual file, cross-checks one file with another, totals all lines and columns and provides an error listing for any exceptions. Some files are totally completed by the system and others may be partially completed.

This document provides composition and valuation guidelines for the completion of the Statement. The official name of this document is 'General Insurance Annual Statement Composition and Valuation Guidelines', but is shortly referred to as 'General Valuation Guidelines' in the text of this document.

In a separate document instructions are provided on the operation of the ARAS systems.

GENERAL GUIDELINES

Reporting institution
This guide sets forth a compilation of the accounting practices and procedures prescribed by the Bank relative to the Annual Statement submitted by the licensed insurance companies transacting business in or from Curacao and Sint Maarten.

Accounting principles
The accounting principles of the Statement follow Generally Accepted Accounting Principles (GAAP). However, the Statement is a supervisory tool and does deviate from GAAP at certain balance sheet and profit & loss items. Further, the presentation/ categorization of balance sheet and profit & loss items may deviate in the Statement from the requirements of GAAP. Therefore, in this document a full set of composition and valuation guidelines is defined for all the files in the Statement. In completing the Statement the applicable laws and regulations should also be taken into account.

Hereafter, some specific accounts/ topics of importance in the Statement will be covered.

Assets
Assets are physical items (tangible) that have value and are owned by the company. The company is expected to complete all its assets in the balance sheet under the appropriate category. However, some assets are subject to admissibility. The ARAS system will automatically determine the 'Available Margin' to cover insurance obligations in file 207-A or 207-B.

Investment property/ Financial Assets
These assets are valued at Fair value. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. The best evidence of fair value is quoted prices in an active market.

Investment property:
The fair value of land and buildings is usually determined from market-based evidence by appraisal that is normally undertaken by professionally qualified valuers. If there is no market-based evidence of fair value because of the specialized nature of the item of property and the item is rarely sold, except as part of a continuing business, an entity may need to estimate fair value using an income or a depreciated replacement cost approach.
An exception to Fair value valuation is 'Real Estate In Own Use' which is valued according to the Cost model.

Financial assets:
The financial assets (derivatives and non-derivatives) are designated as at fair value through profit and loss. The information about these financial assets shall be provided internally on a fair value basis to the Company's key management personnel. The Company's investment strategy should be to invest in equity and debt securities that meet the Bank's requirements and to evaluate them with reference to their fair values.

Market values shall be determined on the basis of available information at the end of the financial year. If the market for a financial instrument is not active (not available) and no similar comparative market instrument are available, cost shall be used to approximate the fair value.

Exception

A financial asset shall be measured at amortised cost if both of the following conditions are met:

1. The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and
2. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

However, it is possible to recognize the above described exempted asset at initial recognition at Fair value if doing so eliminates or significantly reduces an 'accounting mismatch' that would otherwise arise from measuring liabilities on different bases.

Lending or Borrowing of Assets

The Bank prohibits insurers from lending or borrowing securities.

Outsourced investments

If a company has outsourced part or all of its investment activities to an external asset management company, the amounts concerned should not be reported as one receivable in the Statement. The assets in the investment portfolio should be specified in the Statement based on the several asset categories. Those assets are also subject to the admissibility requirements.

Equity

Equity represents the excess of an insurance company's assets over its liabilities, sometimes also referred to as the net worth of the company.

Provisions and Liabilities

The Statement separates the provisions and liabilities of an insurer as to (1) Provisions for Insurance Obligations, (2) Other Provisions and Liabilities and (3) Current Liabilities. The provisions for insurance obligations may be somewhat technical in nature and can be determined either on an actuarial or non-actuarial basis. Those payables which would fall under the category of Other Provisions and Liabilities, tend to be more non-current or long term in nature, where as Current Liabilities require settlement within twelve months after the reporting date.

Consolidation

Fully or partially (majority interest) owned subsidiaries engaged in insurance business
The primary goal of the Statement is to provide the Bank with insight into the business transacted by the licensed insurer in Curacao and Sint Maarten. Therefore, the Bank **does not permit** line by line consolidation of fully owned or partially (majority interest) owned subsidiaries of the licensed insurer operating inside or outside of Curacao and Sint Maarten whether licensed by the Bank or by a supervisory authority of a foreign jurisdiction. If these subsidiaries are supervised financial institutions in Curacao and Sint Maarten, they are required to submit separate statutory statements to the Bank. If the subsidiary is licensed in a foreign jurisdiction, the Bank has appropriate guidelines in place to verify if that subsidiary is compliant with the foreign jurisdiction laws and regulations. In any case the Bank expects to receive from the licensed insurer, besides the Statement, also the audited consolidated group financial statement.

In these General Valuation Guidelines 'majority interest' means that the Company owns 51% or more of the voting rights in the issued capital of the subsidiary.

Fully or partially (majority interest) owned subsidiaries not engaged in insurance business
Fully owned or partially owned (majority interest) companies that are not primarily engaged in providing insurance services should only be consolidated if:

1. the company's business is primarily to hold title to premises or equipment used by the licensed insurer in carrying out its ordinary business; or
2. the company's major activity is to provide services to the institution that the institution would ordinarily perform for itself in the general course of its insurance business. For example, a company that provides data processing services or surveyor services for the licensed insurer, should be consolidated if the licensed insurer hold majority interest in the company.

Partially (minority interest) owned subsidiaries
If the licensed insurer owns a minority interest in a financial institution, this should be reported as 'Partially owned Unconsolidated Affiliated Companies and Other Participations' in the Statement. In these General Valuation Guidelines 'minority interest' means that the Company owns

- more than 20% but less than 50% of voting rights in the issued capital of the subsidiary, and
- has significant influence on its management.

Balances with affiliates

'Balances due from Affiliates' and 'balances payable to Affiliates' represent 'loans and advances to' respectively 'loans and advances received from affiliated entities' (corporations, joint ventures, partnerships, etc), being:

- entities that are fully or partially owned by the company (non-consolidated)
- entities that fully or partially own stocks of the company
- entities on which the full or partial owners of the company have control (majority interest)

- entities of which the majority of the supervisory and/ or managing directors also represent the majority of the supervisory and/ or managing directors of the company.

These balances exclude:

- Any balances receivable from or payable to affiliated (re)insurance companies regarding reinsurance business. Should be reported on line 3.5 of File 203
- Any balances receivable from or payable to affiliated brokerage companies regarding the sale of insurance policies. Should be reported on line 3.4 of File 203

All other balances with affiliates should be reported on lines 2.7D, 3.2 or 9.9 in File 203 without netting.

Captive insurance

Captives are exempted from the admissibility requirements defined for line 2 'Investments' with the exception of line 2.7D 'Loans and Other Interest Bearing Receivables Due from Affiliates'. The admissibility test defined for line 2.7D is only applicable to captives that have written policies direct to their parent group and which policies involve third party claimants such as parent group employees or customers. In all other cases loans by the captive reported in line 2.7D are non-admissible if:

1. The loans are not at arm's-length (market interest rate for perceived risk exposure, defined cancellation and repayment terms, appropriate security)
2. Loans about which there is doubt that the parent or group company will be able to pay (high credit risk)

External auditor's role

According to article 26 paragraph 2 of the National Ordinance:

- the Statement should be accompanied by an external auditor's report[1]. A model unqualified auditor's report is included in these guidelines. The external auditor should be locally established. However, the Company may be exempted from this requirement.
- the external auditor is required to initial the Statement for identification purposes.
- the licensed insurance company is required by law to include a provision in the contract with the external auditor by which the external auditor is authorized to
    1. supply the Bank in writing with any information which may be reasonably considered to be necessary in order for the Bank to comply with her duties as stipulated in the National Ordinance.
    2. agree with the Bank on conditions or circumstances encountered at a licensed insurance company during the execution of his duties that warrant informing the Bank as soon as possible and which:
        - are in conflict with the license requirements of the National Ordinance, or
        - are in conflict with the stipulations of the National Ordinance, or
        - threatens the existence of the insurance company, or
        - jeopardizes the issuance of an unqualified auditors report to the insurance company.

[1] External auditor according to article 121, paragraph 6 of the 2nd book of the Civil Code of Curacao (2011) and Sint Maarten (2010). External auditor's report as defined in article 121, paragraph 5 of mentioned Codes.

The Bank will send a copy of the received information to the licensed insurance company.

Working papers of the Statement kept on site
Each institution should be able to readily support the schedules in the Statement filed. The primary source of information of the Statement should be the institution's own general ledger and trial balance. The working papers should clearly indicate the Statement accounts to which each general ledger item is assigned. If more than one Statement account has to be used to report one general ledger item, then the basis for the division should be clearly documented. Working papers should be kept at the minimum of files 203, 205 and 210. These working papers should be kept for a minimum of 3 years.

Actuary's role
If the company calculates any provision for insurance obligations on an actuarial basis, the principles applied for such calculations should be reported in File 216 of the Statement. This file should be signed by an external actuary. The external actuary should issue an opinion on the value at year-end of the respective provisions. Also, the external actuary should certify the Liability Adequacy Test (LAT) performed by the Company. The external actuary should be locally established. However, the Company may be exempted from this requirement.

Publication requirement
According to the 'Provisions for the Disclosure of Consolidated Financial Highlights of Insurance Companies (CFH)' (2010), are the following files in the statement public: File 201, 202 and 204. The external auditor should provide an auditor's report on the CFH.
This requirement is only applicable to insurance companies licensed according to the provisions of the National ordinance on insurance supervision (PB 1990, nr. 77).

Reconciliation sheet between the Statement and company's own financial statements
If the completion of the Statement in accordance with the General Valuation Guidelines produces a difference in reported Total Assets, Total Equity and/ or Net Results between the Statement and the company's own financial statements, the company should <u>also</u> submit a reconciliation sheet clarifying the identified differences.

STATEMENT COMPOSITION AND VALUATION

The primary financial statements in the Statement are the Notes to the Balance Sheet, the Specification of Balance Sheet Items, the Specification of Profit and Loss Statement Items, the Analysis of Equity and the Solvency Requirement file. With the exception of the sums insured and the catastrophe exposure filings, all other ARAS Files either support or analyze the amounts appearing in or from these primary financial statements.

The following composition and valuation guidelines provide a description and valuation of each file in the Statement.

FILE 200 'JURAT PAGE'

On this page the basic information of the institution should be reported.

The complete names of all the members of the supervisory board and management should be reported. In case of a branch office, the complete names of the supervisory board and management team of the Head Office should be reported. In addition the complete name of the local representative and his address should be separately reported on the lines 'representative's name' and 'representative's address'. The corporate title of the members of the management team should be specified. Representatives of management should sign this file indicating that:

- The balance sheet and other files are true and correct;
- All assets, liabilities, income and expenditures for the accounting period are included in the Statement;
- All the assets reported in the balance sheet are the property of the institution free of liens and claims unless otherwise stated in the notes to the balance sheet;
- All known capital and/ or surplus commitments and contingent liabilities are disclosed appropriately in the Statement.

In the case of a branch office, the signature of only the local representative is sufficient.

FILE 201 'BALANCE SHEET'

The figures in this file are automatically generated. The source of the figures is File 203.

FILE 202 'NOTES TO THE BALANCE SHEET'

ARAS Notes to the Balance Sheet Line 1, Basic Principles:

1. Basis of preparation
   a) The notes must specify which accounting standards have been used to prepare the balance sheet and profit or loss statement of the Statement. Changes in the standards or policies used in the reporting year, when compared to the previous year, should be disclosed and the reason therefore.
   b) A reference must be made to these valuation guidelines in preparing the Statement.

2. Basis of consolidation
   The notes must disclose whether subsidiaries are being consolidated in the balance sheet and profit or loss according to the General Valuation Guidelines.

3. Provisions for Insurance Obligations
   The calculation and valuation basis of these provisions are reported in File 216 respectively 217 of the Statement.

4. The notes must give a full disclosure of any agreements with affiliated insurance companies and reinsurance companies that might affect the company's equity position.

5. Report the total balance of non-admitted assets divided between the several asset classes. This relates to amounts reported on line 'Non-admissible assets' of File 203.

ARAS Notes to the Balance Sheet Line 2, Contingent Liabilities:

A contingent liability is:

1) a <u>possible</u> obligation that arises from past events whose existence will be confirmed <u>only</u> by the occurrence or non-occurrence of one or more <u>uncertain future</u> events; or
2) a <u>present</u> obligation that arises from past events but is <u>not</u> recognised because the amount of the obligation cannot be measured with sufficient reliability

Unless the possibility of any outflow in settlement is remote, a company should disclose for each class of contingent liability at the balance sheet date a brief description of the nature of the contingent liability and, where practicable:

a. an estimate of its financial effect;
b. an indication of the uncertainties relating to the amount or timing of any outflow; and
c. the possibility of any reimbursement.

ARAS Notes to the Balance Sheet Line 3, Capital and Surplus Commitments:

The notes must include a full disclosure of the nature, timing and amount of any capital and surplus commitments which have not been reported in the balance sheet as of reporting date.

ARAS Notes to the Balance Sheet Line 4, Subsequent Events Affecting the Stated Earnings of the Company:

This is an event, which could be favorable or unfavorable, that occurs between the end of the reporting period and the date that the financial statements are authorized for issue.

These 'non-adjusting' events should be disclosed if they are of such importance that non-disclosure would affect the ability of users to make proper evaluations and decisions. The required disclosure is (a) the nature of the event and (b) an estimate of its financial effect or a statement that a reasonable estimate of the effect cannot be made.

ARAS Notes to the Balance Sheet Line 5, Territorial Allocation of Invested Assets:
The notes must fully disclose a division between invested assets in and outside Curaçao and Sint Maarten.

ARAS Notes to the Balance Sheet Line 6, Is the insurer a Branch with Registered Office abroad?
The question should be answered 'Yes' if it regards a branch office operation. This will set the solvency file to 207-B. The question should be 'No' if it regards a local corporation. This will set the solvency file to 207-A.

FILE 203: SPECIFICATION OF BALANCE SHEET ITEMS: ASSETS

Nr	Categorization of balance sheet item	Description of balance sheet item	Valuation principle	Related File
1	**Non-Admissible assets**	The total amount reported on this line regard the summation of assets or amounts that are non-admissible at a particular asset category. This amount also includes intangible assets such as goodwill. The balance of this account must be specified in File 202, line 1. Intangible assets are reported at their amortized or depreciated cost. If goodwill is included in this balance sheet item, amortization of such may not exceed ten years. Note: • This account cannot be earmarked to cover insurance obligations; • This account will be deducted from 'Available Margin' in File 207.	Not Applicable	
2	**Investments:**			
2/2.1/2.1A	Real Estate in own use	Land along with improvements to the land, such as buildings, fences, wells and other site improvements that are fixed in location—immovable.	**Cost Model** Cost less depreciation over the assets useful life less impairment losses. Only buildings and improvements are subject to deprecation, land is considered as not being subject to depreciation. Depreciation on real estate is reported in File 210-I Part-A, on line 15. In case of impairment, the loss should be reported	

			in File 210-I Part-B, column 3 'Decrease in Book Value', line 1.	
2/2.1/2.1B/1 2/2.1/2.1B/2 2/2.1/2.1B/3	Office and Shopping Buildings Other Commercial Buildings Dwelling houses	Land along with improvements to the land, such as buildings, fences, wells and other site improvements that are fixed in location—immovable.	**Fair Value Model** Asset is carried at a revalued amount, being its fair value at the date of revaluation less subsequent depreciation less impairment losses. Adjustment of property values through ledger or non-ledger adjustments based upon current frequent (every 3 years) appraisal. The net appreciation (the difference between the historical cost and the fair value) would be offset with an adjustment for net appreciation through File 210-I, column 5 'Net Change Admissible Value' line 1. This amount will be automatically transferred to the Profit or Loss account 'Net Unrealized Capital Gains or Losses' (File 205-2, line 16.1) Depreciation on real estate is reported in File 210-I Part-A, on line 15. In case of impairment, the loss should be reported in File 210-I Part-B, column 3 'Decrease in Book Value', line 1.	
2/2.1/2.1B/4	Land	Unimproved land held as investment	**Fair Value Model** Asset is carried at a revalued amount, being its fair value at the date of revaluation. Adjustment of property values through ledger or non-ledger adjustments based upon current frequent (every 3 years) appraisal. The net appreciation (the difference between the historical cost and the fair value) would be offset with an adjustment for net appreciation through File 210-I,	

			column 5 'Net Change Admissible Value' line 1. This amount will be automatically transferred to the Profit or Loss account 'Net Unrealized Capital Gains or Losses' (File 205-2, line 16.1) In case of impairment, the loss should be reported in File 210-I Part-B, column 3 'Decrease in Book Value', line 1.	
2/2.1/2.1B/5	Other	Other Real Estate not belonging to the other predefined categories	**Fair Value Model** Asset is carried at a revalued amount, being its fair value at the date of revaluation less subsequent depreciation less impairment losses. Adjustment of property values through ledger or non-ledger adjustments based upon current frequent (every 3 years) appraisal. The net appreciation (the difference between the historical cost and the fair value) would be offset with an adjustment for net appreciation through File 210-I, column 5 'Net Change Admissible Value' line 1. This amount will be automatically transferred to the Profit or Loss account 'Net Unrealized Capital Gains or Losses' (File 205-2, line 16.1) Depreciation on real estate is reported in File 210-I Part-A, on line 15. In case of impairment, the loss should be reported in File 210-I Part-B, column 3 'Decrease in Book Value', line 1.	
2.2/2.2A/1-7	Unconsolidated Totally Owned Affiliated Companies and	Affiliated entities (corporations, joint ventures, partnerships, etc) are entities that are fully or partially owned (majority or minority interest) by the company.	Equity method Under the equity method, the investment is initially recorded at cost (company's share in the affiliate's	

2.2/2.2B/1-10	Other Participations Unconsolidated Partially Owned Affiliated Companies and Other Participations		equity at purchase) and is subsequently adjusted to reflect the company's share in the entity's net profit or loss and/ or any other adjustments to the entity's equity not reported by the entity through Profit or Loss Statement. Distributions received from the affiliated entity should lead to reduction of the carrying amount of the asset. The company's share is based on present ownership interests. The use of the Equity method is subject to the following conditions: • The reporting date of the affiliated entity and the company are the same or there is no longer then 3 months difference between the reporting dates • The accounting policies applied by the affiliated entity are the same as those applied by the company. If the carrying amount of the participation is impaired, the recoverable amount should be determined and reported. In case of impairment, the loss should be reported in File 210-I Part-B, column 3 'Decrease in Book Value', line 2. If the Company totally or partially owns a life or non-life insurance company or a reinsurance company, the applicable solvency margin of that affiliate must be reported in File 206, Line 7A.	
2.3/2.3A-2.3D	Stocks in Financial institutions	Common and preferred shares of capital stock owned in corporations which can be publicly	**Fair value model** At purchase security is capitalized at initial cost and	

	Stocks in Trade and industry Stocks in Investment funds and Unit trusts Stocks in Others	listed or privately held. Regards stock owned by the company which represent: • Less than 20% of the voting rights in issued capital • Between 20% and 50% of voting rights, with no significant influence on management	subsequently valued at fair value on individual investment basis. The difference between cost and the fair value must be reported as an adjustment through File 210-I, column 5 'Net Change Admissible Value' line 3. This amount will be automatically transferred to the Profit or Loss account 'Net Unrealized Capital Gains or Losses' (File 205-2, line 16.1) In case of impairment, the loss should be reported in File 210-I Part-B, column 3 'Decrease in Book Value', line 3.	
2.4/2.4A/1-3	Bonds and Other Fixed Income Securities issued or guaranteed by: • Central Government[2] • Island Government[3] • Other Public Bodies of Curacao and Sint Maarten	This asset account represents government securities that pay interest and obligates the government agency to pay that interest at the end of specific time intervals, and to pay the principal at maturity or the call date of the securities.	**Fair value model** Security is recognized at fair value at reporting date. The difference between the fair value and the (amortized) cost must be reported as an adjustment through File 210-I, column 5 'Net Change Admissible Value' line 4. This amount will be automatically transferred to the Profit or Loss account 'Net Unrealized Capital Gains or Losses' (File 205-2, line 16.1) In case of impairment, the loss should be reported in File 210-I Part-B, column 3 'Decrease in Book Value', line 4. <u>Exception:</u> The asset should be valued at amortised cost if both of the following conditions are met:	

[2] Regards bonds and other fixed income securities that have been issued by the previous country 'Netherlands Antilles' (prior to Oct 10, 2010)
[3] Regards bonds and other fixed income securities that have been issued by the countries Curacao and Sint Maarten (after Oct 10, 2010)

			1. Business model to hold the asset in order to collect contractual cash flows, and 2. Contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding However, it is possible to recognize the above described exempted asset at initial recognition at Fair value if doing so eliminates or significantly reduces an 'accounting mismatch' that would otherwise arise from measuring liabilities on different bases.	
2.4/2.4A/4-5 2.4/2.4B 2.4/2.4C 2.4/2.4D 2.4/2.4E	Bonds and Other Fixed Income Securities issued or guaranteed by: • Foreign Government • Foreign Public Bodies Utility Services Financial institutions Trade and industry Others	This asset account represents corporate or government securities that pay interest and obligates the corporation or government agency to pay that interest at the end of specific time intervals, and to pay the principal at maturity or the call date of the securities. Under the category of "Others", insurers are to include their investment in Collateralized Mortgage Obligations (CMOs). The issuer of these securities or the securities themselves should be qualified by rating agencies (Standard & Poor's, Fitch Ratings and Moody's Investor Services) as investment grade (S&P/Fitch: BBB or higher, Moody's: Baa or higher). <u>Non-admissible:</u> Securities with lower rating than investment grade and securities not rated.	**Fair value model** Security is recognized at fair value at reporting date. The difference between the fair value and the (amortized) cost must be reported as an adjustment through File 210-I, column 5 'Net Change Admissible Value' line 4. This amount will be automatically transferred to the Profit or Loss account 'Net Unrealized Capital Gains or Losses' (File 205-2, line 16.1) In case of impairment, the loss should be reported in File 210-I Part-B, column 3 'Decrease in Book Value', line 4. <u>Exception:</u> The asset should be valued at amortised cost if both of the following conditions are met: 1. Business model to hold the asset in order to collect contractual cash flows, and 2. Contractual terms give rise on specified dates to	

		<u>Note:</u> • The investment grade requirement by rating agencies is <u>not</u> applicable to corporate bonds of <u>local</u> corporations. However, the value of these local bonds should be subject to an impairment test. • Bonds issued by affiliates should be reported at 'Affiliated Loans and Other Interest Bearing Receivables'	cash flows that are solely payments of principal and interest on the principal amount outstanding However, it is possible to recognize the above described exempted asset at initial recognition at Fair value if doing so eliminates or significantly reduces an 'accounting mismatch' that would otherwise arise from measuring liabilities on different bases.	
2.5	Participation in Non-affiliated Investment Pools	Assets reported on this line would include investment funds or pools in which the investor receives shares or units for his participation. The investment fund or pool should be qualified by rating agencies (Standard & Poor's, Fitch Ratings and Moody's Investor Services) as investment grade (S&P/Fitch: BBB or higher, Moody's: Baa or higher). <u>Non-admissible:</u> Investment funds or pools with lower rating than investment grade and investment funds or pools not rated. <u>Note:</u> The investment grade requirement by rating agencies is <u>not</u> applicable to <u>local</u> investment funds and pools. However, the value of these local participations should be subject to an impairment test.	**Fair value model** At purchase security is capitalized at initial cost and subsequently valued at fair value on individual investment basis. The difference between cost and the fair value must be reported as an adjustment through File 210-I, column 5 'Net Change Admissible Value' line 5. This amount will be automatically transferred to the Profit or Loss account 'Net Unrealized Capital Gains or Losses' (File 205-2, line 16.1) In case of impairment, the loss should be reported in File 210-I Part-B, column 3 'Decrease in Book Value', line 5.	

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<tr>
<td>2.6/2.6A-D</td>
<td>Mortgage loans for
Office and shopping buildings
Other commercial buildings
Dwelling houses
Land</td>
<td>A mortgage loan is an amount of money lend at interest and secured by real estate and improvements thereon. The form of the mortgage instrument itself may vary, but the debt is evidenced by an accompanying promissory note.

<u>Non-admissible</u>
If the outstanding balance of a mortgage loan is greater than 70% of the <u>current</u> appraised market value, than the excess is non-admissible. Exception: the case in which the excess is equal to or smaller than the amount covered by the Guarantee Fund (Fondo di Garantia)</td>
<td>Nominal value of admissible outstanding balance

Loans in default
If any loan is in default <u>more</u> than 6 months, a provision for doubtful collection must be established. The <u>minimum</u> provision should be determined as follows:

If the outstanding balance is greater than 70% of the <u>current</u> appraised market value (every 3 years), than the excess should be represented as the minimum provision for doubtful collection.

Sale of default mortgage property
If the mortgagor defaults, the company may opt to sell the mortgage property by auction. If the proceeds of the sale amount to less than the unpaid balance, the remaining balance may be written off as a realized loss on mortgage loans (File 205-2, line 8) OR may be transferred to the asset account of 'Unsecured Loans' (File 203-2, line 2.7C). If the latter is the case, an equal provision for doubtful collection must be maintained. Under no circumstance should this remaining balance be considered a mortgage loan.</td>
<td></td>
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<tr>
<td>2.6/2.6E</td>
<td>Mortgage loans for
Others</td>
<td>This account covers:
Construction loans should be reported under the category of 'Others' in the amounts that have been paid to the borrower. Construction loans include:
Loans for additions or alterations to existing non-residential structures.
Loans where the proceeds are to be</td>
<td>Construction loans:
Nominal value of outstanding balance

Foreclosed mortgage properties, activating foreclosure expenses and accrued interest:
The unpaid principal balance on the foreclosed loan transferred from a 'Mortgage Loans' category to the real estate account of 'Other Real Estate'. All expenses such as legal fees, insurance premiums,</td>
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</table>

		used to acquire and improve undeveloped property. When the structure is completed the loan should be moved up to one of the other categories of mortgages. • Foreclosed mortgage properties should also be removed from the other categories and reported as 'Others'.	payments of unpaid taxes, and certain other direct expenses relating to foreclosing on the property, together with the amount of accrued interest receivable at the date of foreclosure, may be added to the loan balance transferred to the 'Other Real Estate' account, as long as the aggregate of the loan balance plus capitalized expenses and accrued interest <u>do not exceed</u> the current appraised value of the foreclosed property. Any excess should be written off as a realized loss on mortgage loans (File 205-2, line 8) as soon as the excess can be determined. **Foreclosed mortgage properties, writing off foreclosure expenses and accrued interest**: At foreclosure, the insurer may opt not to capitalize foreclosure expenses and accrued interest on the foreclosed mortgage property. In this scenario all foreclosure expenses are charged to operational expenses (File 205-1, line 7/7.2) or realized losses (File 205-2, line 8) and accrued interest to realized losses on mortgage loans when incurred. (File 205-2, line 8)	
2/2.7/2.7A	Other loans: • Members' loans (Mutual Companies)	Loans to members of a mutual insurance company. Here it is assumed that the company is a mutual insurance company.	The nominal value of balances due and, if applicable, less a provision for doubtful accounts for all loans <u>in excess</u> of the individual member's accumulated mutual equity.	
2/2.7/2.7B	Other loans: • Collateral loans	These include: • Collateral loans are loans secured by a pledge of assets. The asset pledged shall by its terms be legally assignable and shall be validly assigned to the company. <u>Non-admissible:</u>	Nominal value of admissible outstanding balance **Loans/ Agents' and Brokers' installments in default** If a loan or Agents' and Brokers' installments is/ are for <u>more</u> than 3 months in default, a provision for doubtful collection should be established equal	

		The excess of outstanding balance above fair value of pledged assets • Outstanding agents' and brokers' balances which the company has <u>formally</u> agreed to accept installment payments and are holding some form of collateral.	to all receivables <u>in excess</u> of 90 days past due.	
2/2.7/2.7C	Other loans: • Unsecured loans	Loans provided by the insurer without being backed by any collateral (unsecured), amongst others: • balances remaining after the foreclosure and auction of properties which were originally securing a mortgage loan • loans to employees • loans to agents and brokers • outstanding agents' and brokers' balances which the company has agreed to accept installment payments for the amount due. However, for the receivable to be reported as a loan, a formal loan agreement should be drawn between the company and the agent.	**Auctioned foreclosed property:** Nominal value of the (positive) difference between the auction revenue of foreclosed property and the unpaid balance on the property. An equal provision for doubtful collection must be maintained. **Other unsecured loans:** Nominal value of principal balance due. If a loan is for <u>more</u> than 3 months in default, a provision for doubtful collection should be established equal to all receivables <u>in excess</u> of 90 days past due. **Outstanding agents' and brokers' balances converted to loan** Nominal value. If applicable, the amount of any provision for doubtful collection that is established by the company should be based on prior experience with the individual agent.	
2/2.7/2.7D	Other loans: • Loans and Other Interest Bearing Receivables Due from Affiliates	These include receivables from the Head Office (if a branch) or the parent, a subsidiary or other affiliated entities. These receivables should be interest bearing and, when applicable, according to the arms length principle (market interest rate for perceived risk exposure and defined cancellation and repayment terms).	Nominal value of admissible outstanding balance	

		<u>Admissibility for local insurers and direct captives</u> <u>which policies involve third party claimants:</u>
		'Interest bearing loans and/or receivables due from affiliates' are subject to admissibility when consolidated with 'non-interest bearing receivables due from affiliates' (File 203, line 3/3.2) as follows:
		
		<u>Test</u>
		1. Calculate the total of the interest and non-interest bearing loans and/or receivables (AFL). This regards the sum of line 2/2.7/2.7D and line 3/3.2.
		2. Calculate 10% of the institution CY Total Assets excl AFL and calculate 25% of the institution PY Net Equity Unassigned (File 206, line 8).
		3. Choose the highest amount to perform the admissibility test.
		4. Determine if AFL exceeds the highest amount
		    a. If yes, the excess should be removed from the two balance sheet accounts based on the share of each account in the AFL before deducting the excess.
		    b. If no, end of testing. Balances remain as is.
		
		<u>Admissibility for captives (other cases)</u>
		Non-admissible are:
		1. Loans not at arm's-length (market interest		

		rate for perceived risk exposure, defined cancellation and repayment terms, appropriate security) 2. Loans about which there is doubt that the parent or group company will be able to pay (high credit risk)		
2/2.8	Deposits with Financial Institutions	This asset represents amounts deposited with banks for a fixed period that are interest bearing and would include savings accounts, time or certificates of deposit and money market accounts. For deposits at foreign banks: The foreign bank should be qualified by rating agencies (Standard & Poor's, Fitch Ratings and Moody's Investor Services) as investment grade (S&P/Fitch: BBB or higher, Moody's: Baa or higher). Non-admissible: Deposits at foreign banks with lower rating than investment grade. Note: The investment grade requirement by rating agencies is not applicable to local banks and international banks operating from Curacao and Sint Maarten.	Nominal value	
2/2.9	Other Investments	This account regards: • Derivatives which would include caps, rights, calls, futures, puts, warrants, floors, forwards, options and swaps. • Any other class of admitted investments not included under another predefined	**Derivatives: fair value model** At purchase security is capitalized at initial cost and subsequently valued at fair value on individual investment basis. The difference between cost and the fair value must	

		category.	be reported as an adjustment through File 210-I, column 5 'Net Change Admissible Value' line 12. This amount will be automatically transferred to the Profit or Loss account 'Net Unrealized Capital Gains or Losses' (File 205-2, line 16.1) In case of impairment, the loss should be reported in File 210-I Part-B, column 3 'Decrease in Book Value', line 12.	
3	**Current Assets:**			
3/3.1	Cash on Hand and in Banks	Cash may be defined as a negotiable medium of exchange free of any restrictions and available for any ordinary business purpose. Cash ordinarily consists of money, negotiable money orders, bank drafts and checks, and balances on demand deposited with regulated banks after any outstanding items have been deducted. A general rule to follow in classifying a particular asset as cash is that the asset must be a medium of exchange that a regulated bank will accept for deposit and allow an immediate credit to the depositor's account. This account also includes any cash related suspense accounts. <u>Note:</u> Time deposits and Certificates of deposit of <u>3 months or less</u> and savings accounts should be reported as 'Deposits with Financial Institutions' on line 2.8	Nominal value net of outstanding and non-cashed checks	File 209
3/3.2	Non-Interest	This account includes current accounts	Nominal value	

	Bearing Receivables Due from Affiliates	receivable from the Head Office (if a branch) or the parent, subsidiary or other affiliated entities, including: • inter-company accounts • inter-company cash advances Netting with the account 'Payable to Affiliates' is not allowed! <u>Admissibility</u> Non-interest bearing loans/ receivables are subject to admissibility when consolidated with interest bearing affiliated loans. Refer to admissibility principle for invested assets in line 2/2.7/2.7D, Affiliated Loans and Other Interest Bearing Receivables.		
3/3.3	Investment Income Due or Accrued	Includes rental income due or accrued, declared but undistributed earnings/ dividends of affiliates and unaffiliated companies, due or accrued interest on bonds and time deposits, income due or accrued of non-affiliated investment pools, due or accrued interest on mortgage loans, interest due or accrued on Other loans, interest due or accrued on Loans and other interest bearing receivables from affiliates and income due or accrued from Other Investments.	Nominal value	File 210-I
3/3.4	Agents' and Brokers' Debit Balances and Uncollected Premium From Direct Business	This account represents insurance premiums due from agents/ brokers and policyholders as well as the net accounts receivable from agents under a managing general agency (MGA) or general agency (GA) type of contracts. This receivable is reported <u>net</u> of any provision for	Nominal value of totaled current account debit balances of individual agents or brokers. **Provision for doubtful collections** *For agents and brokers other than MGA's or GA's* The provision for doubtful accounts for agents and	

		doubtful collections. **Agents and Brokers Balances** Uncollected premiums from an agent represent those premiums due to the company which, according to an agent's contract, have been charged to the agent account by the company. Accounts receivable from an agent under a managing general agency (MGA) or general agency (GA) type of contract, traditionally represents premium amounts due which are net of claims, claims expenses and certain administrative fees. All of which must be stipulated in the contractual agreement between the company and the agent. **Uncollected Premium (direct clients)** Uncollected premiums from a policyholder represent premiums due to the company from a policyholder who may have been solicited by an agent but is billed directly by the company or represents premium from business solicited directly through the company without the intervention of an agent. Usually, under these circumstances, the company will send a 'direct billing' to the policyholder and the policyholder will remit the premium directly to the company. These uncollected premiums should be administered separately as to non-installment or installment premium payment basis.	brokers debit balances from current accounts should <u>not be less</u> than those receivables which are in <u>excess</u> of 90 days past due. *For MGA's and GA's* For agents and brokers under some form of MGA or GA agreement the provision for doubtful accounts for debit balances from current accounts should <u>not be less</u> than amounts due in <u>excess</u> of the <u>contracted payment period</u>. For example, if the agreement provides for a payment grace period of 60 days, then at year end, the amount receivable in excess of the agency's net charges for November and December must be provided for in the provision. *Uncollected premium (direct clients)* • The provision for doubtful accounts for non--installment premium on direct business should <u>not be less</u> than those receivables which are in <u>excess</u> of 90 days past due. • For installment premiums which are not paid on the agreed installment date, the provision for doubtful accounts should <u>not be less</u> than those installments which are <u>in excess</u> of 90 days past due.	

		<u>Non-admissible:</u> Unearned agent/ broker commissions		
3/3.5/3.5A	Reinsurance Balance Receivable: • Recoverable on Paid Claims	The final amounts of claim and or claim adjustment expenses recoverable from the reinsurer(s), according to contracts, after the company has settled its obligations with the claimants. These amounts are **not admissible** if: • There is objective evidence, that as the result of an event the company (cedant) may not receive all amounts due to it under the terms of the contract, and • That event has a reliably measurable impact on the amounts that the company will receive from the reinsurer Insolvency of the reinsurer and disputes between the cedant and the reinsurer about coverage are examples of such events.	Nominal value	
3/3.5/3.5B	Reinsurance Balance Receivable: • Funds Held by or Deposited with Reinsureds	Regards funds deposited by the Company (assuming insurer) at the ceding insurers as collateral according to reinsurance contract. <u>Non-admissible:</u> Those funds held at ceding insurers which are in <u>excess</u> of the secured liabilities (total of claims, claim adjustment expenses and unearned premium provision) as of balance sheet date.	Nominal value	
3/3.5/3.5C	Reinsurance Balance Receivable: • Premiums on	These are premiums which are due from ceding insurance companies.	Nominal value, less a provision for doubtful accounts per individual ceding insurer if applicable.	

	Assumed Reinsurance		The provision for doubtful accounts for individual ceding insurer's accounts receivable should <u>not be less</u> than those receivables which are in <u>excess</u> of 90 days past due.	
3/3.5/3.5D	Reinsurance Balance Receivable: • Other Amounts Receivable	This asset includes reinsurance balances receivable which are not included in any of the other predefined categories, such as: • Expense allowances due • Experience rating and other refunds	Nominal value	
3/3.6	Other Current Assets (Specify)	This account allows for individual specification of current assets that couldn't be classified under the other Current Assets categories and includes amongst others: • Agents' and brokers' balance due to (non-interest bearing) advances • Debit suspense balances.	**Agents' and Brokers' due to advances** Nominal value with provision for doubtful collection if applicable. The provision for doubtful accounts for agents' and brokers' advances should <u>not be less</u> than those receivables which are in excess of 90 days past the agreed due date according to contract. **Other Current Assets** Nominal value	
4	**Other Assets:**			
4/4.1	Furniture, Equipment and Vehicles	This asset includes furniture, fixtures, equipment (including electronic data processing equipment and related operating software) and vehicles, all of which must be in use by the insurer on the reporting date. Also included are leasehold improvements that are permanently attached to an asset that the reporting entity is leasing under a current financial lease. <u>Note:</u> • This asset cannot be earmarked to cover insurance obligations • This asset does not include computer	Cost less depreciation over the useful life of the asset. In case of impairment, the loss should be reported as a write-in in the Profit & Loss account 11 'Other Results'.	

		software applications such as purchased or in-house developed financial or operational applications. These represent intangible assets.		
4/4.2	Net Adjustment For Foreign Exchange	This account should be used when the company holds non-invested assets in currencies which are not the same as the company's own reporting currency. This account represents the adjustment to the foreign exchange rate at year-end.	Nominal value	
4/4.3	Other Assets (specify): 4.3A – 4.3J	These include any other class of admitted asset not included under any other asset category. They are to be individually specified in the text box.	Nominal value	

FILE 203: SPECIFICATION OF BALANCE SHEET ITEMS: EQUITY, PROVISIONS AND LIABILITIES

Nr	**Categorization of balance sheet item**	**Description of balance sheet item**	**Valuation principle**	**Related File**
5	**Capital an Surplus:**			
5/5.1/5.1A	Issued Capital	Issued capital is represented by the par or stated value of capital shares issued by the company. Only in the case of new stock issuance.	Nominal value	
5/5.1/5.1B	Unpaid Capital	This item represents the par or stated value of issued capital which has not been fully paid up.	Nominal value	
5/5.1/5.1C	Net Capital Paid-Up	This item is automatically generated by the ARAS system. This item represents the net difference in the amount of issued capital and that portion which is unpaid.	Not applicable	
5/5.1/5.1D	Additional Paid-In Capital	This item represents the amount of additional capital paid and received in excess of the par or stated value of the issued capital shares.	Nominal value	
5/5.2/5.2A	Contributed Surplus	**If the company has its register office in Curacao & St. Maarten** This item includes a surplus contribution in the form of: • cash or invested assets from its shareholders • forgiveness, by the parent, of an account receivable • forgiveness of the payment by the company of a subordinated instrument	Nominal value	

		• contribution by the parent in the form of the shares of a subsidiary. **If the company is a branch with registered office abroad**, this item would include: • cash or invested assets from its parent • forgiveness, by the parent, of an account receivable		
5/5.2/5.2B	Guarantee Account	This item is generated automatically by the ARAS system. It is only applicable to branches and represents the amount of the solvency fund that is required to be kept in custody with a local bank. Branches cannot dispose of this fund without prior approval of the Central Bank.		
5/5.2/5.2C	Revaluation Surplus	This account regards any unrealized gain or loss due to change in fair value separately administered per type of invested asset. **Unrealized gains on invested assets** The unrealized gain as a result of a revaluation could be credited directly to equity under the heading of 'Revaluation surplus' (File 203-3, line 5.2C). **Unrealized losses on invested assets** The unrealized loss as a result of revaluation shall, if applicable, first be debited directly to equity under the heading of 'Revaluation surplus' to the extent of any credit balance existing in the Revaluation surplus account in respect of	Nominal value	File 206, line 2.2F

		that asset. After the credit balance expires, any remaining unrealized loss should be recognized in profit and loss via File 210-I, Part B, Column 3. At no point in time should revaluation surplus be reported as a negative amount in Equity.		
5/5.2/5.2D	Net Adjustment For Foreign Exchange	This account includes reporting of: • Unrealized foreign exchange increase or decrease as a result of converting Paid-Up Capital or Contributed Surplus in foreign currency to ANG. Paid-up capital and contributed surplus in foreign currencies should be fixed in ANG at the original exchange rate used for conversion <u>when</u> the sale or contribution occurred. Unrealized exchange differences that arise when <u>same</u> amounts in foreign currency are converted to ANG at reporting date should be reported on this line as opposed to changing Paid-Up Capital or Contributed Surplus.	Nominal value	File 206, line 2.2F1 (FX on conversion of Paid-Up Capital and Contributed Surplus)
5/5.2/5.2E	Other	This item refers to special surplus funds accumulated by some insurers to be used when general contingencies occur. It represents a segregation of surplus funds appropriated from unassigned earnings, is purely optional and is not an actual liability of the company. Examples are: • Establishment of a fund to offset downward fluctuations in the value of invested assets	Nominal value	File 206

		• Potential income taxes on unrealized capital gains • Policyholders' dividends not yet declared • To cover extraordinary underwriting losses that might occur		
5/5.2/5.2F	Unassigned Earnings	This item represents the undistributed and un-appropriated amount of accumulated earnings from both realized and unrealized operational results. All cash dividends must be, and stock dividends may be, paid from unassigned earnings.	Nominal value	File 204
5/5.3	Cost of Treasury Stock	Treasury stock is capital stock that has been issued and subsequently reacquired by the company. It is held for either re-issuance or cancellation in the near future. **Effect of Treasury Stock** The acquisition of treasury stock has no effect on the number of shares issued (line 5/5.1/5.1A) or the amount of capital paid up (line 5/5.1/5.1C & line 5/5.1/5.1D). No gain or loss shall be recognized in profit or loss on the purchase, sale, issue or cancellation of a company's own capital shares. **Purchase/re-issuance/cancellation** Consideration paid for the reacquisition or consideration received for the re-issuance of such shares shall be recognized directly	Cost	

		in equity. Cancellation of treasury stock shall reduce the capital stock account by the par or stated value of the shares and, if applicable, reduce additional paid in capital by the original excess of cost over the par or stated value of the shares.		
6	**Subordinated Instruments**	Insurers sometimes issue unsecured instruments that have the characteristics of both debt and equity. These instruments resemble debt in as much as they are repayable at interest and sometimes, may include maturity dates and/or schedules of repayment. However, essential conditions make these instruments tantamount to equity. These conditions are • that these instruments are allowable subject to the Bank's approval and • most importantly, interest and principal may be repaid only with prior approval of the Bank. **Recognition of interest** Interest on such instruments is booked as an expense, and reported as a write-in 'Interest Payable on Subordinated Instruments' under Current Liabilities (File 203-5, line 9.11). Accrued interest that has not been approved for payment should not be represented as an addition to the instrument, and may not accrue interest on interest.	Nominal value.	
	TOTAL EQUITY	This item is automatically calculated by the	Not applicable.	

		ARAS system. This amount equals Total Capital plus Total Surplus minus Cost of Treasury Stock plus Subordinated Instruments. <u>Note:</u> Please note that in the case of a mutual insurance company, with registered office in Curacao and St. Maarten, the components of policyholders' surplus should be reported using lines 5/5.2/5.2C till 5.2F and 6. The other lines are not applicable. In this case Total Equity would represent Total Policyholders' Surplus.		
7	**Provisions for Insurance Obligations:**			
7/7.1/7.1A-E	Net Unearned Premium Provision: • Accident and sickness • Motor vehicle • Marine, Transit and Aviation • Property • Others	This provision contains the portion of the premium for which insurance coverage has not yet been provided. The unearned portion of the premium belongs to the policyholder if the policy is canceled; if not canceled, it provides a fund for the payment of future losses and loss expenses and could include amounts available for the purchase of future reinsurance if needed. The reinsurance portion of Unearned Premium is **not admissible** if: • There is objective evidence, that as the result of an event the company (cedant) may not receive all amounts due to it under the terms of the contract, and	**Valuation** Nominal value of unearned premium, net of reinsurance premiums ceded (unearned direct plus assumed reinsurance premiums less unearned ceded reinsurance premiums). **Calculation** Calculation of the unearned premium provision, if not on an individual policy basis, may be based on a formula or method basis. Formulas/methods which are acceptable to the Bank for calculating the unearned premium provision are annual pro rata method, semi annual pro-rata method and 24^{th} method. Other (pro-rata) methods may be chosen depending on the terms of the insurance contract.	File 210-B, 217

		• That event has a reliably measurable impact on the amounts that the company will receive from the reinsurer Insolvency of the reinsurer and disputes between the cedant and the reinsurer about coverage are examples of such events.	The insurer may employ suitable approximations and estimates; including, but not limited to groupings, averages and aggregate estimation. Such approximations or estimates should be tested periodically to determine their continuing adequacy and reliability.	
7/7.2/7.2A-E	Net claim provision: • Accident and sickness • Motor vehicle • Marine, Transit and Aviation • Property • Others	The claims provision represents • a provision for those claims that were reported to the company but unpaid as of the balance sheet date. It is a monetary fund established by the insurance company for claims it is aware of but has not yet settled. • a provision for those losses that were incurred in the reporting year but that were not reported at year end (IBNR). The reinsurance portion of Claim provision is **not admissible** if: • There is objective evidence, that as the result of an event the company (cedant) may not receive all amounts due to it under the terms of the contract, and • That event has a reliably measurable impact on the amounts that the company will receive from the reinsurer Insolvency of the reinsurer and disputes between the cedant and the reinsurer about coverage are examples of such events.	**Valuation:** Cost after deduction of any reinsurance applicable to the loss, as well as salvage and subrogation. **Calculation of claim provision (non-actuarial basis)** • Unpaid reported claims Aggregation of reported losses for claim events known before or on reporting date. • Incurred but not reported Estimate of losses for claim events that occurred before or on reporting date that have not been reported to the Company as yet. Past claim experience or actual claims received after reporting date which occurred before or on the reporting date may be used when appropriate. **Calculation of claim provision (actuarial basis)** • Unpaid reported claims Aggregation of reported losses for claim events known before or on	File 210-D, 216, 217

			reporting date. The cash-flows projected should comprise all future claims payments • Incurred but not reported Estimate of losses for claim events that occurred before or on reporting date that have not been reported to the Company as yet. Non-life actuarial methods which could be applied to determine this provision include methodologies based on the projection of run-off triangles (e.g. chain ladder method), frequency/severity models and methodologies based on the estimation of the expected loss ratios. Where health insurance policies give rise to the payment of annuities, these periodic claim obligations could be treated based on life actuarial techniques. Discounting is allowed in the case of annuity payments and is only permitted if: a. The settlement of the claims will take at least 4 years after the reporting date and this settlement will be concluded according to a solid claim settlement scheme, b. All factors which will increase the expenses of claim settlement are taken into account **Certification:** The recognized 'Claim Provisions on actuarial basis' should be certified by an	

			independent external actuary. **Liability Adequacy Test (LAT)** The company shall assess as of the reporting date whether its recognized 'Claim Provisions on actuarial basis' are adequate, using current estimates of future cash flows under its insurance contracts in force at reporting date. Refer the 'Guideline Liability Adequacy Test' of the Bank.	
7.3/7.3A-E	Net Claim Adjustment Expenses Provision: • Accident and sickness • Motor vehicle • Marine, Transit and Aviation • Property • Others	Expenses are incurred when adjusting claims. Claim adjustment expenses include such items as adjusting fees, attorneys' fees and investigation expenses (e.g. witness interviews). As of the reporting date, some of these expenses may be still outstanding. These amounts should be reported on this line. These should be segmented, if possible, between claim adjustment expenses for Reported Unpaid Claims and those for Incurred But Not Reported Claims. The claim settlement amount awarded to the injured party is <u>not</u> considered a claim adjustment expense item. The reinsurance portion of Claim Adjustment Expense provision is **not admissible** if: • There is objective evidence, that as the result of an event the company (cedant) may not receive all amounts	Cost	File 210-E-1, 217

		due to it under the terms of the contract, and • That event has a reliably measurable impact on the amounts that the company will receive from the reinsurer Insolvency of the reinsurer and disputes between the cedant and the reinsurer about coverage are examples of such events.		
7.4/7.4A-E	Funds Provision: • Accident and sickness • Motor vehicle • Marine, Transit and Aviation • Property • Others	In some jurisdictions the supervisory authority requires a minimum amount to be held by the insurer per line of transacted business (escrow). These funds should be recorded on this line.	Cost	File 217
7.5/7.5A-E	Other Technical Provisions: • Accident and sickness • Motor vehicle • Marine, Transit and Aviation • Property • Others	This account includes: • Provision for Unexpired Risks (also called premium deficiency reserve) which is an amount set aside on the balance sheet in addition to unearned premiums with respect to risks to be borne by the insurer after the end of the reporting period, in order to provide for all claims and expenses in connection with insurance contracts in force in excess of the related unearned premiums and any premiums receivable on those contracts. • Adjustment to Net Claim Provision based on the Liability Adequacy test	Cost **Post-employment benefits** Present value of defined benefit obligation (expected future payments), as adjusted for unrecognized actuarial gains and losses and recognized past service cost, and reduced by the fair value of plan assets at balance sheet date. **Certification:** Amounts determined on an actuarial basis should be certified by an independent external actuary.	File 217

		• Post-employment employee benefits • Any other obligation, technical in nature, that is not included in any other defined category of provisions.		
8	**Other Provisions and Liabilities:**			
8/8.1	Loans from Unconsolidated Affiliated Companies and Participations	These include loans taken from the Head Office (if a branch) or the parent, a subsidiary or other affiliated entities. These loans should be at arms length (at least defined interest% and payment period in a formal agreement).	Nominal value of balance due	
8/8.2	Loans from Financial Institutions	This item includes any unpaid principal balances for loans from financial institutions. This item also <u>includes</u> any loans taken to buy company owned real estate or any loans taken while pledging company owned real estate as collateral.	Nominal value of balance due	
8/8.3	Members' Loans (mutual company)	Loans taken from members of the mutual insurance company.	Nominal value of balance due	
8/8.4	Other Loans	Other loans that cannot be presented under any of the predefined categories and <u>do not</u> include loans from affiliates.	Nominal value of balance due	
8/8.5	Interest on Loans Payable	Interest payable includes interest on • Loans from Unconsolidated Affiliated Companies and Participations • Loans from Financial Institutions • Members' Loans (mutual company) • Other Loans • Funds held as a deposit of security	Nominal value	
8/8.6	Policyholders' Dividends	In those instances where the insurer's	Nominal value	

	and Other Similar Benefits Payable	board of directors/supervisory board declares a policyholder benefit in the form of a return of premium based on individual policyholder's claim experience, an estimate of the amount of premium refund that is, at the reporting date, being reported in the earned premium but will be applied to the next renewal premium must be reported on this line and charged against earned premium.		
8/8.7	Shareholders' Dividends Payable	Once (cash) dividends are declared by the board of directors/ supervisory board, they are a liability of the company until paid to stockholders. Cash dividends may be paid only out of "Unassigned Earnings" (File 203-3, line 5.2F), in accordance with the approval of the board of directors/ supervisory board. No dividends may be declared or paid when the payment would reduce the company's surplus (branch) or equity (company with registered office in Curacao and St Maarten) <u>below</u> its required minimum solvency requirement. No dividend may be declared or paid that is contrary to any restriction contained in the company's articles of incorporation. <u>Note:</u> Because <u>stock</u> dividends involve only capitalization of surplus and do not represent an actual distribution of assets,	Nominal value	

		they are not reported on this line.		
8/8.8	Unearned Investment Income	Unearned investment income represents income that has been received in advance and cannot be considered 'earned' by the company at the end of an accounting period. The total amount of unearned income is considered an obligation by the company. Prepaid rent on real estate and interest received in advance on mortgage loans should be reported as unearned investment income to the extent that they were unearned at the reporting date.	Nominal value	
8/8.9	Net Adjustment for Foreign Exchange	This account should be used when the company has liabilities in currencies which are not the same as the company's own reporting currency. This account represents the adjustment to the foreign exchange rate at year-end.	Nominal value	
8/8.10/8.10A-J	Other Liabilities (Specify)	These include any other class of other liability not included under any of the predefined Other liability classifications. They are to be individually specified in the text box.	Nominal value	
9	**Current Liabilities:**			
9/9.1/9.1A	Reinsurance Balance Payable: • Payable For Paid Claims	Reinsurance company reimbursed more than the amount of reinsurance recoverable	Nominal value	
9/9.1/9.1B	Reinsurance Balance Payable: • Funds Held by or Deposited with the	Regards funds deposited by assuming insurers with the company (ceding insurer) as collateral according to reinsurance contract.	Nominal value	

	Company			
9/9.1/9.1C	Reinsurance Balance Payable: • Premiums on Ceded Reinsurance	Ceded reinsurance premiums payable are those premiums that are due to other insurance/reinsurance companies (assuming companies) for the coverage purchased by the company (the ceding company) to reduce its liability (risk exposure).	Nominal value	
9/9.1/9.1D	Reinsurance Balance Payable: • Other Amounts Payable	This account includes reinsurance balances payable, other than commissions, which are not included in any of the other predefined categories of reinsurance payables, such as: • Expense allowances due • Experience rating and other refunds	Nominal value	
9/9.2	Premiums Received in Advance	Regards renewal premiums received in advance that become due on or after the next policy anniversary date or premiums received in advance that become due in the next accounting period.	Nominal value	
9/9.3	Suspense Items	Report a liability for: • cash receipts that cannot be identified for a specific purpose or, for other reasons, and • receipts which cannot be applied to a specific account when received. This line item is also commonly referred to as 'remittances and items not allocated'. Credit suspense balances may not be offset with unrelated debit suspense balances. The latter should be reported as a write-in item under File 203-2, line 3.6 'Other Current Assets'.	Nominal value	

9/9.4	Premiums Received But Not Allocated	Report a liability for: • premium cash receipts that cannot be identified for a specific purpose or, for other reasons, and • premium receipts which cannot be applied to a specific policy when received.	Nominal value	
9/9.5	Claim Drafts Outstanding	This account is used when the company pays benefits by issuing drafts and these drafts are recognized in the general ledger. This liability will decrease when the drafts are accepted by the company and clear the banking system. This item should not represent outstanding or un-cashed checks. Such items should be netted in the cash account reported on File 203-2, line 3.1 "Cash on Hand and in Banks".	Nominal value	
9/9.6	Corporate Taxes Payable	This item represents local and foreign corporate taxes which are due or accrued as well as deferred tax liabilities, all of which are incurred as of the reporting date.	Nominal value	File 210-H
9/9.7	Employee Withholding Payable	This item can be classified as an abeyance account as it traditionally includes amounts withheld from employees' salary and agents' or brokers' compensation for the payment of taxes, various personal and social benefits and welfare as well as various contracted obligations.	Nominal value	
9/9.8/9.8A	Underwriting and Investment Expenses Due or Accrued: • Commission and	This account includes: • Commissions receivable on ceded reinsurance netted against commissions payable on assumed	Nominal value	File 210-G

	Brokerage	reinsurance • Commissions payable to agents and brokers		
9/9.8/9.8B	Underwriting and Investment Expenses Due or Accrued: • Other Underwriting and Investment Expenses Due or Accrued	This item represents incurred but unpaid other underwriting/operational and investment expenses, as reflected in File 210-G, lines 2.1 through 2.6. This accrual excludes corporate taxes and deprecation on investment real estate. Accrued corporate taxes should be reported on File 203-5 line 9.6 and depreciation on investment real estate should reported in File 210-I, line 15.	Nominal value	File 210-G
9/9.9	Payable to Affiliates	A liability should be established for amounts payable to Head office (branch), a parent, subsidiary or other affiliated entities for inter-company disbursements, including: • Inter-company current accounts • Inter-company cash advances Netting with the account 'Non interest Bearing Receivables due from Affiliates' is not allowed.	Nominal value	
9/9.10	Agents' and Brokers' Credit Balances	This account regards any balances, excluding commissions, owed by the company to its agents and brokers such as pending premium restitutions.	Nominal value of totaled current account credit balances of individual agents or brokers.	
9/9.11/9.11A-J	Other Current Liabilities (Specify)	These include any other class of current liability not included under any of the predefined current liability classifications such as: • Payables to creditors	Nominal value	

		• Any encumbrances on the properties of the Company • Interest Payable on Subordinated Instruments. These should be individually specified in the text box.		
10	**Contingent Liabilities**	Not Applicable	Not Applicable	

FILE 204: PROFIT & LOSS STATEMENT and ANALYSIS OF UNASSIGNED EARNINGS

PROFIT & LOSS STATEMENT

Nr.	Profit & Loss Statement item	Description of contents Profit & Loss Statement item	Related File
1 - 17		All items are automatically transferred from related accounts in File 205	File 205

ANALYSIS OF UNASSIGNED EARNINGS

Nr.	Unassigned Earnings item	Description of contents Analysis of Unassigned Earnings item	Related File
18	Unassigned Earnings (Beginning of year)	This item is automatically transferred from previous year Analysis of Unassigned Earnings (End of year)	
18/A	Net Profit or Loss	This item is automatically determined from File 204, line 17	
18/B	Distribution of Accumulated Earnings	This item is automatically determined from File 206, line 2.2E total.	File 206
18/C	Other Changes in Unassigned Earnings	This item is based on entries made in File 206 for the account 'Transfer to Capital - Stock dividends (line 2.2B) and line F, 'Other Surplus Changes' such as: • Corrections of prior year values • Changes to the account 'Other' in equity (special purpose funds/ File 203-3, line 5.2E) if appropriated from unassigned earnings. Note: This item does not include entries made in File 206 line F which relate to net adjustment due to foreign exchange.	File 206
19	Unassigned Earnings (End of year)	This item is automatically transferred from File 203, line 5.2F	File 203

FILE 205: SPECIFICATION OF PROFIT & LOSS STATEMENT ITEMS

Nr.	Categorization of Profit & Loss item	Description of contents Profit & Loss item	Related File
1	**Net Earned Premiums**		
1/1.1	Direct Written Premium	This account represents premiums written during the accounting period less any returned premium and is net of discounts and rebates. Any commissions or administrative expenses related to the collection of premiums should be reported as underwriting expenses and not netted against premium.	File 210-A Part-1
1/1.2	Assumed Premium	This account represents premium on reinsurance assumed during the accounting period less any returned premium under a reinsurance agreement. Any commissions or administrative expenses related to the collection of premiums should be reported as underwriting expenses and not netted against premium.	File 210-A
1/1.3	Gross Written Premium	Item is automatically calculated by the ARAS system. Equals Direct Written Premium plus Assumed Premium.	
1/1.4	Ceded Premium	This account represents gross written premiums which have been ceded or retro-ceded under a reinsurance agreement. Any earned commissions or administrative expenses refunds should be netted in underwriting expenses incurred.	File 210-A
1/1.5	Net Written Premium	Item is automatically calculated by the ARAS system. Equals Gross Written Premium minus Ceded Premium	
1/1.6	Change in Unearned Premium Provision	This account represents the movement in the net unearned premium provision from last year to current year. This amount is automatically calculated by the ARAS system. Equals the current year total of ARAS file 203-3, line 7.1 minus the previous year	File 203

		total.	
2/2.1-2.10	**Net Other Underwriting Income (Specify)**	This item includes but is not limited to: 1. Policy fees, policy finance and service charges which are not included in the premiums 2. Income from non-invested assets.	
3	**Net Claims Incurred**		
3/3.1	Direct Claims Paid	This account represents the total claims paid on a direct basis as of reporting date. The amounts are net of salvage and subrogation.	File 210-C
3/3.2	Assumed Claims Paid	This account represents the total claims paid under assumed reinsurance contract as of reporting date.	File 210-C
3/3.3	Gross Claims Paid	This amount is automatically calculated by the ARAS system. Equals the sum of direct claims paid and assumed claims paid.	
3/3.4	Ceded Claim Recoveries	This account represents the amount of reinsurance recovered from paid claims during the reporting year under ceding or retro-ceding reinsurance agreements.	File 210-C
3/3.5	Net Claims Paid	This amount is automatically calculated by the ARAS system. Equals Gross Claims Paid minus Ceded Claims Recovered.	
3/3.6	Change in Net Claim Provision	This account represents the movement in the net claim provision from last year to current year. This amount is automatically calculated by the ARAS system. This amount equals the current year total of ARAS File 203, line 7.2 minus the previous year.	File 203
4	**Net Claim Adjustment Expenses Incurred**		
4/4.1	Direct Claim Expenses Paid	This account represents the total claim adjustment expenses paid on a direct basis as of reporting date, amounts are net of subrogation.	File 210-E
4/4.2	Assumed Claim Expenses Paid	This account represents the total claim adjustment expenses paid under assumed reinsurance agreements as of reporting date.	File 210-E
4/4.3	Gross Claim Expenses Paid	This amount is automatically calculated by the ARAS system.	

		Equals the sum of Direct Claim Expenses Paid and Assumed Claim Expenses Paid	
4/4.4	Ceded Claim Expenses Recoveries	This account represents the amount of reinsurance recovered from paid claim adjustment expenses during the reporting year under ceding or retro-ceding reinsurance agreements.	File 210-E
4/4.5	Net Claim Adjustment Expenses Paid	This amount is automatically calculated by the ARAS system. Equals Gross Claim Expenses Paid minus Ceded Claim Expenses Recovered.	
4/4.6	Change in Net Claim Expense Provision	This account represents the movement in the net claim adjustment expense provision from last year to current year. This amount is automatically calculated by the ARAS system. This amount equals the current year total of ARAS File 203, line 7.3 minus the previous year.	File 203
5	**Changes in Various Other Provisions**		
5/5.1	Changes in Various Other Provisions: • Funds Provision	This account represents the movement in the Funds provision from last year to current year. This amount is automatically calculated by the ARAS system. This amount equals the current year total of ARAS File 203, line 7.4 minus the previous year.	File 203
5/5.2	Changes in Various Other Provisions: • Other Technical Provision	This account represents the movement in the Other Technical provision from last year to current year. This amount is automatically calculated by the ARAS system. This amount equals the current year total of ARAS File 203, line 7.5 minus the previous year.	File 203
6	**Policyholder Dividends and Other Similar Benefits Incurred**	This account regards policyholder dividends and other benefits declared by the supervisory board of the company.	
7	**Underwriting Expenses Incurred**		
7/7.1	Underwriting Expenses Incurred • Commission and Brokerage incurred	This account includes: • Commissions receivable on ceded reinsurance	File 210-G

		• Commissions payable on assumed reinsurance and direct business	
7/7.2	Underwriting Expenses Incurred • Other Underwriting Expenses Incurred	This item represents incurred other underwriting and operational expenses	File 210-G
8	**Net Other Expenses Incurred**	This item includes but is not limited to: • Agents' and brokers' balances charged off, net of any amounts recovered. • Reinsurance recoverables charged off, net of any amounts recovered • Fines and penalties imposed by regulatory and fiscal authorities. • Charged off remaining balance after auction of mortgaged property in default • Charged off foreclosure expenses and accrued interest on foreclosed property	
9	**Underwriting result**	This amount is automatically calculated by the ARAS system. This amount equals the current year total Net Earned Premium plus total Net Other Underwriting Income minus total Net Claims Incurred minus total Net Claim Adjustment Expenses Incurred minus Changes in Various Other Provisions minus Policyholders' Dividends minus Underwriting Expenses Incurred minus Net Other Other Expenses Incurred.	
10	**Net Investment Income and Realized Capital Gains or Losses**		
10/10.1	Net Investment Income Earned	This account regards income from invested assets which is net of • any amortization of premium and accrual of discounts • investment expenses incurred and reported in ARAS File 210-G • depreciation on investment real estate • other investment expenses which have not been included in ARAS File 210-G.	File 210-I
10/10.2	Net Realized Capital Gains or Losses	This account is comprised of realized capital gains or losses for the year from invested assets sold or matured. It also includes realized foreign exchange gains and losses on sold invested assets in	File 210-I

		foreign currency.	
11/11.1 - 11.10	**Other Results**	This account regards income or losses related to the company's ordinary activities which could not be reported on the other (predefined) categories. Each 'Other Result' should be separately and clearly specified, which include: • Realized Foreign Exchange result on Foreign Currency (non-invested assets) • Results on discontinued operations. E.g. sale of a book of business	
12/12.1 - 12.10	**Extraordinary Results**	Extraordinary items are gains or losses that arise from events (e.g. natural disasters) or transactions that are clearly distinct from the ordinary activities of the company and therefore are not expected to recur frequently or regularly. Extraordinary gains and losses must be listed separately and clearly specified such as: • Gain or loss on sale of non-invested assets. E.g. sale of office furniture • Changes to applied accounting principles. • Material loss due to a natural disaster which is not common in the area.	
13	**Net Operational Results Before Taxes**	This amount is automatically calculated by the ARAS system. This amount equals current year Underwriting Results plus Net Investment Income and Realized Capital Gains or Losses plus Other Results plus Extraordinary Results.	
14	**Corporate Taxes Incurred**	This item represents incurred local and foreign corporate taxes as well as change in deferred tax liabilities as of reporting date.	File 210-H
15	**Net Operational Results After Taxes**	This amount is automatically calculated by the ARAS system. This amount equals Net Operational Results Before Taxes minus Corporate Taxes Incurred.	
16	**Net Unrealized Gains or Losses**		
16/16.1	Net Unrealized Capital Gains and Losses	This item is automatically transferred by the ARAS system.	File 210-I part B, line 15

		It regards unrealized results on invested assets due to changes in book value and due to conversion of invested assets in foreign currency to ANG.	
16/16.2	Change in the Difference between the Book and Admissible Values of Non-invested Assets.	This account represents, amongst others: • Change in provision for doubtful collection of Agents' and brokers' balances • Change in provision for doubtful collection of reinsurance recoverables	
16/16.3	Net Adjustment For Foreign Exchange	**Non-cash** The unrealized increase or decrease as a result of a conversion of non-invested assets and liabilities held in foreign currency to the company's reporting currency. **Cash** Any unrealized gains or losses as a result of conversion of cash in foreign currency to the company's reporting currency.	
17	**Net Profit or Loss**	This amount is automatically calculated by the ARAS system. This amount equals Net Operational Results After Taxes minus total Net Unrealized Gains or Losses.	

FILE 206: ANALYSIS OF EQUITY

Nr.	Analysis of Equity item	Description of contents Analysis of Equity item	Related File
1	Total Equity (Beginning of Year)	This item is automatically determined by the ARAS system and equals the prior year Total Equity (End of year).	
2/2.1/A-C	Capital Changes: • Capital Stock Issued • Unpaid Capital • Additional Paid In Capital	This change is automatically calculated by the ARAS system. This amount can be determined by locating file 203, line 5.1A/B/D and subtracting the previous year total from the current year total. The change in 'Capital Stock Issued' and 'Additional Paid In Capital' is affected by the following transactions: • Issuance of new stock (increase) • Par value of stock bought back by the company and canceled (decrease) • The difference between the par value and the original selling price of canceled stock bought back by the company (decrease) • Capital transferred from surplus (stock dividend) (increase)	File 203
2/2.1/D	Capital Changes: • Other Capital Changes	Not applicable	
2	Total Net Capital Changes	This item is automatically calculated by the ARAS system. This amount equals the sum of the changes in Capital Stock Issued, Unpaid Capital, Additional Paid In Capital and Other Capital Changes.	
2/2.2/A	Surplus Changes: • Contributed Surplus	This change is automatically calculated by the ARAS system. This amount can be determined by subtracting the previous year total of File 203, line 5.2A from the current year total.	File 203
2/2.2/B	Transfer to Capital Stock Dividends	This item represents a decrease in Unassigned Earnings resulting from a declared and paid stock dividend to stockholders. This contributes to an increase in issued capital.	

2/2.2/C	Transfer from Capital	Not applicable	
2/2.2/D	Net Profit or Loss	This item is automatically determined by the ARAS system. This amount can be determined by locating file 204, line 17.	File 204
2/2.2/E1	Distribution of Accumulated Earnings: • Dividends to Stockholders	This account regards declared and paid cash dividends to stockholders.	
2/2.2/E2-E11	Distribution of Accumulated Earnings: • Others (specify)	Other distributions of retained earnings should be separately and clearly defined.	
2/2.2/F1	Other Surplus Changes: • Net Adjustment Due to Foreign Exchange	This regards unrealized foreign exchange adjustment as a result of converting Paid-Up Capital or Contributed Surplus in foreign currency to ANG	File 203
2/2.2/F2 – F11	Other Surplus Changes: • Other Surplus Changes (specify)	This item is for the specification of individual changes made to surplus during the year which do not qualify for reporting in lines 2.2A through 2.2E which include, but are not limited to: • Individual corrections of errors from previously issued ARAS filings due to mathematical mistakes or mistakes in applied accounting principles. The Bank does not allow the restatement/reissue of previously submitted ARAS filings. • Special purpose funds accumulated for general contingencies • Change in revaluation surplus	
2/2.2F	Total Net Surplus Changes	This item is automatically calculated by the ARAS system. This amount equals the sum of the changes in Contributed Surplus, Transfer to Capital Stock Dividends, Transfer from Capital, Net profit or Loss, Distribution of Accumulated Earnings and Other Surplus Changes.	
3	Net Changes in Capital and Surplus for the Year	This amount is automatically calculated by the ARAS system. This amount represents the sum of total Net Capital Changes and total Net Surplus Changes.	

4	Net Change in Treasury Stock	The change is automatically calculated by the ARAS system. This account regards the acquisition, cancellation or re-issuance of treasury stock. This amount can be determined by locating file 203, line 5.3 and subtracting the previous year total from the current year total.	File 203
5	Net Change in Subordinated Instruments	This change is automatically calculated by the ARAS system. This amount can be determined by locating file 203, line 6 totals and subtracting the previous year total from the current year total.	File 203
6	Total Equity (End of Year)	This amount is automatically calculated by the ARAS system. This amount equals Total Equity (Beginning of year) plus line 3, 4 and line 5.	
7A	Capital and Surplus Commitments and Contingencies, including Applicable Solvency Margin or Portion thereof for Unconsolidated Affiliated Insurance and or Reinsurance Companies	This account includes: • capital and/ or surplus commitments (File 202, line 3) • contingent liabilities (File 202, line 2) • applicable solvency margin or portion thereof regarding unconsolidated affiliated (re)insurance companies.	
7B	Solvency Requirement	This account is automatically determined by the ARAS system. It is transferred from File 207-A or B.	File 207 A or B
8	Net Equity Unassigned	This account is automatically calculated by the ARAS system. This amount can be determined by subtracting lines 7.A and 7.B from line 6.	

FILE 207 'SOLVENCY REQUIREMENTS'

File 207-A, company with registered office in Curacao and Sint Maarten
File 207-A is automatically generated by the ARAS system.

Required solvency margin
Automatically calculated.

Required solvency margin insurance companies licensed according to the provisions of the National ordinance on insurance supervision (PB 1990, nr. 77)
According to article 36 paragraph 2 and 3 of the National ordinance and article 2 of the 'National decree financial criteria insurance companies' (Nat. gaz. 1992, nr 52), the applicable solvency requirement equals 15% of the previous year's <u>gross</u> written premium with an absolute minimum of Naf 300.000,-.

Required solvency margin 'captive insurer' licensed according to the provisions of the Special insurance license decree (PB 1992, nr. 50)
According to article 14 paragraph 1 sub b of the National decree special insurance license (Nat. gaz. 1992, nr 50), the applicable solvency requirement equals 15% of the previous year's <u>net</u> written premium with an absolute minimum of Naf 300.000,-.

Required solvency margin 'professional reinsurer' licensed according to the provisions of the Special insurance license decree (PB 1992, nr. 50)
According to article 14 paragraph 2 of the National decree special insurance license (Nat. gaz. 1992, nr 50), the applicable solvency requirement equals 10% of the previous year's <u>net</u> written premium with an absolute minimum of Naf 1.000.000,-.

Available Solvency Margin
Automatically calculated.
The Available Margin is calculated by deducting lines 3 and 4 from line 2.

Surplus Excess or Deficiency is calculated automatically (by subtracting line 1 from line 5). If the Company has a surplus deficiency, the Bank will require a capital contribution by the Company's shareholders.

<u>Duty to immediately report:</u>
According to article 36, paragraph 5 of the National Ordinance, if an insurance company with registered office in Curacao and Sint Maarten is aware of or may reasonably anticipate that its solvency margin does not or will not meet the solvency requirements, it shall inform the Bank immediately.

<u>Note:</u>
The solvency requirement is tested for a captive insurer and a professional reinsurer with registered office <u>abroad</u> in the <u>same way</u> as for the captive insurer or professional reinsurer with registered office in Curacao and Sint Maarten. The World Wide Business section is not

relevant. In case of a Surplus Deficiency, the Bank will require a surplus contribution by the Head office.

File 207-B, company with registered office abroad

Branch operation
File 207-B, Part 1 is automatically generated by the ARAS system.

Required Solvency Fund
Automatically calculated.

Required Solvency Fund insurance companies licensed according to the provisions of the National ordinance on insurance supervision (PB 1990, nr. 77)
According to article 3 of the 'National decree financial criteria insurance companies' (Nat. gaz. 1992, nr 52), the applicable solvency fund of a branch operation should be Naf 300.000,-.

Available Solvency Fund
Automatically calculated.
The Available Margin is calculated by deducting lines 3 and 4 from line 2.

Surplus Excess or Deficiency is calculated automatically (by subtracting line 1 from line 5). If the Branch office has a surplus deficiency, the Bank will require a surplus contribution by the Head office.

World wide Business
File 207-B, Part 2 must be completed manually by the Company.

Required Solvency Margin insurance companies licensed according to the provisions of the National ordinance on insurance supervision (PB 1990, nr. 77)
According to article 21 paragraph c of the National ordinance and article 2 of the 'National decree financial criteria insurance companies' (Nat. gaz. 1992, nr 52), the solvency requirement for the company's world wide book of business is equal to 15% of the previous year's gross written premium from the company's world wide book of business with an absolute minimum of NAf 300.000,-.

Available Solvency Margin
Please take note of the following:

- Line 2: this line excludes any intangible assets on the balance sheet
- Line 4: this line regards the sum of any Contingent Liabilities and Capital & Surplus Commitments that have been quantified.

The Available Margin is automatically calculated by deducting lines 3 and 4 from line 2.

Surplus Excess or Deficiency is calculated automatically (by subtracting line 1 from line 5).

In the case that the Head office constantly has a surplus deficiency, the Bank may require the Head office to transform the local Branch office into a local legal entity (domestication process).

FILE 208 'CURRENCY EXPOSURE AND ASSETS EARMARKED TO COVER INSURANCE OBLIGATIONS'

File 208 PART-1

The purpose of file 208 part-1 is to provide the Bank insight into the relationship at balance sheet date between the technical provisions (insurance obligations) and assets held regarding currency exposure and localization principle as defined in article 34, paragraph 3 and 4 of the National Ordinance. In this article it is stated that:

The assets which serve to cover the technical provisions must be easily convertible to or collectable in the same currency as that in which the obligations are presented. Those assets should be held within Curacao and Sint Maarten, with the provision that for insurers incorporated in Curacao and Sint Maarten this stipulation only is applicable to the business solicited through their offices in Curacao and Sint Maarten. Assets in the form of claims should be held in Curacao and Sint Maarten if they can be collected here. At their request the Bank may grant insurers exemption from the conditions laid down in the first and second sentence unless in the Bank's opinion the interests of the policyholders, insured persons or beneficiaries are not guaranteed.

In this schedule the current policies in force should be divided between 'Obligations in Curacao and Sint Maarten' and 'Obligations Abroad'. Further, each type of obligation should be subdivided based on the currency in which the policies were issued. Per type of obligation should be defined:

- Applicable exchange rate
- Amount of provision for insurance obligation
- Amount of assets held in applicable currency

The system will automatically calculate if there is a currency exposure or not. The total of recorded provisions for insurance obligations (ARAS FILE 208 part-1, line 3, column 3) should be equal to Total Provisions for Net Insurance Obligations (ARAS FILE 203-4, line 7/Total).

File 208 PART-2

The purpose of file 208 part-2 is to provide the Bank insight in the assets held by the insurer to cover its technical provisions as stipulated in article 34 paragraph 2 and article 35 paragraph 2 of the National Ordinance.

In this schedule the assets earmarked to cover the technical provisions should be entered. The total amount of earmarked assets (ARAS File 208, PART-2, Column 2/Total) should be equal or greater than the Total provisions for insurance obligations (ARAS FILE 208 part-1, line 3, column 3). Some of the allowable assets are already predefined in the schedule according to article 34, paragraph 2 of the National Ordinance.

According to article 34 paragraph 2, non-admissible assets cannot be earmarked to cover technical provisions. Furthermore, in accordance with article 34 paragraph 5, Reinsurance balances receivable and Claims on the reinsurer based on loss already known but not processed, are eligible to cover insurance obligations in so far it is plausible to the judgment of the Bank that the claim will be met in Curacao and Sint Maarten or that otherwise the loss will be indemnified abroad. In calculating the receivables on reinsurers for earmarking, any payables to the reinsurers should be deducted.

FILE 209 'CASHFLOW ANALYSIS'

This schedule regards the cash flow statement of the institution over the reporting period. The cash flow statement is based on the Direct Method. Cash activities are divided in Operational activities, Investment activities and Financing activities. The yellow cells are automatically generated by the ARAS system (transfers from other ARAS Files). The blue cells should be manually entered. The main difference between the Direct and the Indirect Method is in the cash flows of operational activities.
The Cash Position at the end of year (ARAS File 209, line 8.2/Current Year) should equal the amount reported as Cash on Hands and in Banks in ARAS File 203 (ARAS File 203-2, line 3.1/Current Year).

In the following paragraphs examples are provided of possible manual entries in File 209.

<u>Operational activities:</u>
Sources:
Other Cash Income and Results:

- Recoveries on loans previously written off
- Recoveries on account receivables previously written off
- Policy fees, policy finance and service charges not included in the premium
- Income on non-invested assets

Applications:
Other Cash Expenses and Results:

- Interest paid
- Payment of financial lease liabilities

<u>Investment activities:</u>
Sources (other than pre-defined):

- Proceeds from sale of furniture, vehicles and equipment
- Net cash inflow on the sale of a book of business
- Net cash inflow on the sale of a subsidiary
- Proceeds from a sale of land

Applications (other than pre-defined):

- Purchase of furniture, vehicles and equipment
- Purchase of land
- Net cash outflow on acquisition of book of business
- Net cash outflow on acquisition of a subsidiary

<u>Financing activities:</u>
Sources:
Other Financing sources:

- Proceeds from government (special) loans

Applications:
Other Financing Applications:

- Repayment of government (special) loans
- Payment of share and debt issue costs

FILE 210 'DISTRIBUTION OF NET RESULTS BY INDEMNITY GROUPS'
The goal of this schedule is to provide insight in the profitability per indemnity group coverage provided by the Company. The information completed for the line items in each indemnity group should follow as much as possible directly from the records (sub-administration or general ledger) of the Company. Any assumptions applied in the distribution of amounts between the five indemnity groups should be objectively verifiable. Please note that:

- Net Claims Incurred for 'Motor Vehicle' indemnity group includes any payments relating to whiplash injuries and medical assistance to injureds.
- The indemnity group 'Other' includes coverage provided such as General third party Liability, Directors' Liability and Business Interruption.
- The Total Results (column 6) of lines 1 till 17 should equal the respective (sub-total) amounts reported in ARAS File 205.

The amounts of 'Net Earned Premiums', 'Net Claims Incurred' and 'Net Claim Adjustment Expenses Incurred' are automatically transferred from the respective supporting schedules (ARAS File 210-A, 210-C and 210-E).

FILE 210-A 'NET PREMIUMS WRITTEN AND EARNED'
In this schedule the 'Premiums Written' are segregated per type of indemnity group and line of business. Written premium on Direct Business is automatically transferred from ARAS file 210-A part-1. Premium on Reinsurance Assumed and Premium Paid for Reinsurance Ceded should be manually entered net of any return premium. Gross Premiums Written, Net Premiums Written and Net Earned Premiums are automatically calculated by the ARAS system. The Unearned Premiums Provision per type of line of business (Current Year) is automatically transferred from ARAS File 210-B, column 9. Line 6 (Grand Total) should equal the respective accounts in ARAS Files 203 (Unearned Premium Provision) and 205.

FILE 210-A-1 'ANALYSIS OF DIRECT WRITTEN PREMIUM'
In this schedule the 'Direct Written Premium' is analyzed per type of indemnity group and line of business. The following information should be provided per line of business:

- Gross Premium (net of return premium)
- Discounts to Members or Employees
- Discounts or Rebates based on Claim Experience
- Other Discounts or Rebates

To be able to provide detail about these discounts the Company should keep this information in its records (sub-administration or general ledger). The Bank assumes that every company as part of its normal business practice will at least provide its clients with a discount or rebate based on claim experience (column 3).

Column 5 'Direct Premium' is automatically calculated by the ARAS system. The amount on line 6 (Grand total), column 5 should be equal to 'Direct Written Premium' reported in ARAS File 205 (ARAS File 205-1, line 1.1/Current Year).

FILE 210-B 'UNEARNED PREMIUM PROVISION'

In this schedule 'Unearned Premium on Direct Business, 'Unearned Premium on Reinsurance Assumed' and 'Unearned Premium on Reinsurance Ceded' are reported (manual entry) per type of indemnity group and per line of business. Gross Unearned Premium and Net Unearned Premium Provision are automatically calculated by the ARAS system. The subtotals per indemnity group and the Grand Total in column 5 should be equal to the respective totals in ARAS File 203 (ARAS File 203-3, lines 7.1A till 7.1/Total).

'Unearned Premium on Reinsurance Ceded' (column 4) is **not admissible** if:

- There is objective evidence, that as the result of an event the company (cedant) may not receive all amounts due to it under the terms of the contract, and
- That event has a reliably measurable impact on the amounts that the company will receive from the reinsurer

Insolvency of the reinsurer and disputes between the cedant and the reinsurer about coverage are examples of such events.

FILE 210-C 'NET CLAIMS PAID AND INCURRED'

In this schedule the 'Net Claims Paid and Incurred' are segregated per type of indemnity group and line of business within each indemnity group. Claims Paid net of Salvage are segregated between Direct Business and Reinsurance Assumed less of any Reinsurance Recoveries. Gross Claim Payments, Net Claim Payments and Net Claims Incurred are automatically calculated by the ARAS system. The amounts recorded for 'Net Claim Provisions' (Current Year) are automatically transferred from the respective accounts in ARAS File 210-D, column 9. Line 6 (Grand Total) columns 1, 2 and 4 should be equal to the respective accounts in ARAS File 205 (3/3.1/Direct Claims Paid, 3/3.2/Assumed Claims Paid and 3/3.4/Ceded Claim Recoveries).

FILE 210-D 'CLAIM PROVISION'

In this schedule the Claims provision is segregated into indemnity groups and line of business within each indemnity group. Further, the provision is divided into 'Unpaid Reported Claims' (known to the Company) and 'Claims Incurred But Not Reported' (estimated by the Company) as of balance sheet date. The columns 'Direct Business', 'Reinsurance Assumed' and 'Reinsurance Ceded' require manual entry of data. The figures in the columns 'Net Unpaid Reported Claims', 'Net IBNR claims' and 'Net Claim Provision' are automatically generated. The data recorded in this schedule should support the amounts recorded per indemnity group in ARAS File 203 line 7.2 'Net Claim Provision'.

'Reinsurance Ceded' (columns 3 and 7) is **not admissible** if:

- There is objective evidence, that as the result of an event the company (cedant) may not receive all amounts due to it under the terms of the contract, and
- That event has a reliably measurable impact on the amounts that the company will receive from the reinsurer

Insolvency of the reinsurer and disputes between the cedant and the reinsurer about coverage are examples of such events.

FILE 210-E 'NET CLAIM ADJUSTMENT EXPENSES PAID AND INCURRED'

This schedule shows the claim adjustment expenses paid and incurred per indemnity group and per line of business within each indemnity group. The columns 'Direct Business', 'Reinsurance Assumed' and 'Reinsurance Recovered' require manual entry of data. The figures in the other columns are automatically calculated. Line 6 (Grand Total) columns 1, 2 and 4 should be equal to the respective accounts in ARAS File 205 (4/4.1/Direct Claim Expenses Paid, 4/4.2/Assumed Claim Expenses Paid and 4/4.4/Ceded Claim Expenses Recoveries).

FILE 210-E-1 CLAIM ADJUSTMENT EXPENSES PROVISION

This schedule shows the claim adjustment expenses provision (CAEP) per indemnity group and per line of business within each indemnity group. Further, the provision is divided between CAEP for Unpaid Reported Claims (known to the Company) and CAEP for Incurred But Not Reported Claims (estimated by the Company). The columns 'Direct Business', 'Reinsurance Assumed' and 'Reinsurance Ceded' require manual entry of data. The figures in the columns 'Net CAEP for Unpaid Reported Claims', 'Net CAEP for IBNR claims' and 'Net CAEP Provision' are automatically generated. The data recorded in this schedule should support the amounts per indemnity group reported in ARAS File 203 line 7.3 'Net Claim Adjustment Expenses Provision'.

'Reinsurance Ceded' (columns 3 and 7) is **not admissible** if:

- There is objective evidence, that as the result of an event the company (cedant) may not receive all amounts due to it under the terms of the contract, and
- That event has a reliably measurable impact on the amounts that the company will receive from the reinsurer

Insolvency of the reinsurer and disputes between the cedant and the reinsurer about coverage are examples of such events.

FILE 210-F ALLOCATION OF PREMIUM AND CLAIMS BY INDEMNITY GROUPS AND TERRITORY

This schedule shows Net Earned Premium and Net Claims Incurred per Indemnity group and per Territory where the Company operates. Only the columns regarding Net Earned Premium and Net Claims Incurred require manual entry of data. Lines 3A till 3E indicate automatically calculated loss ratios (Net Claims Incurred divided by Net Earned Premium) per indemnity group and per territory. Line 3F indicates automatically calculated Total Loss ratio (Total Net Claims Incurred divided by Total Net Earned Premium) per territory where the institution transacts business. The data entered for Net Earned Premiums should support File 210-A 'Net Premiums Written and Earned' lines 1 till 5 and the data entered for Net Claims Incurred should support File 210-C 'Net Claims Paid and Incurred' lines 1 till 5.

FILE 210-G UNDERWRITING AND INVESTMENT EXPENSES

Underwriting expenses

This schedule divides 'Total underwriting expenses' into 'Commission and Brokerage Expenses Incurred' and 'Other Underwriting Expenses Incurred' during the year. The 'Other underwriting expenses incurred' are also subdivided in several categories. The underwriting expenses are reported in the first column and require mostly manual entry of data. The Net Commission and Brokerage Incurred (line 1/1.5/column 1) should be equal to 'Commission and Brokerage Incurred' reported in ARAS File 205, line 7/7.1 and 'Total Other Underwriting Expenses Incurred' (line 2.7/column 1) should equal Other Underwriting Expenses Incurred' reported in ARAS File 205 line 7/7.2.

Investment expenses

The investment expenses per category are reported in the second column and require mostly manual entry of data. Any expenses incurred due to invested assets should be segregated as much as possible out of normal 'underwriting expenses' and reported in this column. Therefore, these expenses should be recorded separately in the company's books.
The sum of the total investment expenses incurred as to 'Commission and Brokerage Incurred' (line 1.5/ Net commission and brokerage incurred/column 2) and the total investment expenses incurred as to 'Other Underwriting Expenses' (line 2.7/Total Underwriting other expenses incurred/column 2) is transferred to file 210-I line 14 'Investment Expenses Incurred'. This amount will reduce 'Investment Income Earned'.

Depreciation on Real Estate should be reported in ARAS File 210-I line 15 'Depreciation on Real Estate'. Real estate expenses should be reported in line 2.3 'Real Estate Expenses'/column 2 (investment expense).

FILE 210-H CORPORATE TAXES

This schedule specifies the amount that has been entered on line 14 'Corporate Taxes Incurred' of File 205 'Specification of Profit & Loss Statement Items'.

FILE 210-I INVESTMENT INCOME EARNED AND CAPITAL GAINS & LOSSES

This schedule is divided in two parts; part A and B.

Part A covers the sources of earned investment income during the reporting period. Line 13 indicates the total reported earned investment income (column 6). In lines 14 till 16, investment expenses incurred (transferred from File 210-G), depreciation on real estate and other investment expenses are deducted from the total earned investment income. The resulting 'Net Investment Income Earned' should equal the reported investment income in File 205 line 10.1.

Also the total amounts reported for 'Current Year Unearned Income' (line 13/column 2) and 'Previous Year Unearned Income' (line 13/column 3) are automatically transferred from ARAS File 203, line 8/8.8 'Unearned Investment Income'. The total amounts reported for 'Current Year Due or Accrued' (line 13/column 4) and 'Previous Year Due or Accrued' (line 13/column 5) are automatically transferred from ARAS File 203, line 3/3.3 'Investment Income Due or Accrued'. The total amount for 'Booked During the Year' (line 13/column 1) is automatically calculated by the ARAS system. The logic is that 'Income Booked During the Year' minus an increase 'Unearned Income' plus an increase in 'Income Due or Accrued' should equal 'Investment Income Earned'.

Part B covers the net realized and unrealized capital gains and losses per invested asset recorded during the reporting period. The columns 1 'Increase in Book Value', 2 'Profit on Sale or Maturity', 3 'Decrease in Book Value', 4 'Loss on Sale or Maturity' and 5 'Net Change in Admissible Value' require manual entry of data. In columns 1 'Increase in Book Value' and 3 'Decrease in Book Value' should be reported any changes to the carrying amount of the invested assets, such as impairment loss on invested assets (column 3). In columns 2 'Profit on Sale or Maturity' and 4 'Loss on Sale or Maturity' should be reported any realized capital gain or loss and any realized foreign exchange result on sale or maturity per invested asset. In column 5 'Net Change in Admissible Value' should be reported any unrealized capital gain or loss per invested asset and any unrealized foreign exchange result per invested asset caused by a change in fair value of the assets.

The amount in line 14 'Net Realized Capital Gains or Losses' is automatically transferred from File 205, line 10.2 and should be equal to the entries in the column 2 'Profit on Sale or Maturity' minus the entries in column 4 'Loss on Sale or Maturity'. The amount in line 15 'Net Unrealized Capital Gains or Losses' is automatically calculated based on the entry in column 6, line 13 minus the entry in column 6, line 14. This amount is automatically transferred to line 16.1 'Net Unrealized Capital Gains or Losses' of File 205.

The amounts recorded in the columns 1 'Increase in Book Value', 3 'Decrease in Book Value' and 5 'Net Change in Admissible Value' should be divided between 'Adjustment for Foreign Exchange' and 'Revaluation of Assets Other than Foreign Exchange' in the selected cells below Part B.

FILE 216 ACTUARIAL REPORT
This schedule should be completed (manual entry of data or 'copy-paste' from electronic file) when a portion of or all the technical provisions of the institution is determined on an actuarial basis. If this is the case, the applied actuarial principles and (statistical) methods should be specified in this file. The opinion of the external actuary should also be entered in this file. If the provisions are non-actuarial, the 'Not applicable' button should be checked.

This File should be signed by an external actuary.

FILE 217 EXPLANATION OF TECHNICAL PROVISIONS (NON-ACTUARIAL)
This schedule should be completed (manual entry of data or 'copy-paste' from electronic file) when a portion of or all the technical provisions of the institution is determined on a non-actuarial basis. If this is the case, the applied principles and methods to establish the provisions should be specified in this file. Otherwise, the 'Not applicable' button should be checked.

FILE 225 SUMS INSURED FOR PERSONAL AND COMMERCIAL PROPERTY
This schedule discloses the sums insured in the Leeward Islands (Aruba/Bonaire/Curacao), Windward Islands (St. Maarten/Statia/Saba) and Other jurisdictions for the indemnity groups 'Motor vehicle', 'Marine, Transit and Aviation', 'Property' insurance and some other indemnity groups.

FILE 226 ESTIMATED CATASTROPHE LOSS EXPOSURE
This schedule discloses the Net Surplus Exposure to the institution in the event that a catastrophe affects its book of business reported in File 225 in the Windward Islands, Leeward Islands and Other jurisdictions. Per group of Islands or jurisdiction the 'Maximum Catastrophe Loss', 'Recovery by Standard Reinsurance' and 'Recovery by Catastrophe Reinsurance' should be estimated. The Net Surplus Exposure is automatically calculated by the system.

FILE 226-A ESTIMATED MAXIMUM CATASTROPHE LOSSES (EMCL)
In this schedule the assumptions used to estimate the maximum catastrophe losses should be described. These EMCL are the consequence of natural disasters and man-made disasters. A

natural disaster is a result when a natural hazard affects humans and/or the built environment. Man-made disasters are disasters resulting from man-made hazards (threats having an element of human intent, negligence, error or involving a failure of a man-made system). Examples of (insurable) natural hazards are floods, earthquake, tsunami, hurricane and windstorm. Examples of (insurable) man-made hazards are fire, structural collapse and industrial hazard.

The estimated maximum catastrophe loss regards the Probable Maximum Loss as the consequence of any credible disaster event. The benchmark should be to withstand a 1-in-200 year industry loss event. Factors as intensity of the event, vulnerability of the insured objects and concentration of insured objects should also be considered.
In the case of natural hazards, it is possible that multiple insured events occur in any given year. This could be addressed by calculating an EMCL under both of the following circumstances:

- one large event, at 1 in 200 level occurrence basis, plus a second, smaller event, or
- two moderate events

The larger of the results for the two sets of circumstances should be used.

The following hazards should be considered for each line of business in which the company has been licensed based on the institution's risk exposure:

Branch	**Natural hazard**	**Man-made hazard**
Motor Vehicle	Hurricane, windstorm, floods, earthquake, tsunami	
Marine/Transit/Aviation	Hurricane, windstorm, earthquake, tsunami	Collision, aircraft disaster
Property	Hurricane, windstorm, floods, earthquake, tsunami	Industrial hazard, fire
Business Interruption	Hurricane, windstorm, earthquake, tsunami, floods	Industrial hazard, fire
Burglary & Theft	Hurricane, floods, earthquake, tsunami	Fire
Multi-line/Group coverage	Hurricane, windstorm, floods, earthquake, tsunami	Industrial hazard, fire, major liability claim
Other	Hurricane, windstorm, floods, earthquake, tsunami	Industrial hazard, fire, major liability claim

The institution should consider additional hazards that are not captured in this schedule if relevant for the risks to which its business is exposed.

The institution should provide information about the catastrophe modeling software used to calculate the EMCL.

FILE 233 SUMMARY OF PENDING LITIGATION

In this file a summary should be manually entered (or 'copy-paste' from electronic file) of pending litigations (sums > NAf 10.000,-) in which the institution is involved. Per litigation, the summary should mention the parties involved, the amount of the claim and a short description of the case. These lawsuits may have been initiated by the institution, its policyholders or third parties.

The institution should also indicate the total amount (number) of pending litigations, including the amount of described cases.

FILE 234 AUDITOR'S REPORT

In this file the external auditor's opinion should be manually entered (or 'copy-paste' from electronic file).

If the security code is included in the external auditor's opinion it might not be practical to include the text of this opinion in this file. If this is the case, the company may choose to enter the text 'See hardcopy' in this file and require the external auditor to submit a separate opinion in hardcopy to the Bank.

GLOSSARY OF ANNUAL STATEMENT TERMS

Accrual-Basis Accounting: The system in which a company records revenues when they are earned and expenses when they are incurred, even if cash has not actually changed hands.

Accrual of Discount: The difference between the sales price and the par value of a bond or the difference between the purchase price and the principal balance of a mortgage loan when the insurer pays less than the par value of the bond or less than the principal balance of a mortgage loan.

Additional Paid-In Capital: An account that records the difference per share between the issue price and the par or stated value when a company issues stock for a price above its par or stated value.

Admitted/ Admissible Assets: Those assets that are permitted to be included in the Balance Sheet of the Annual Statement.

Affiliates/ Affiliated entities (refer also paragraph on Consolidation/ General Guidelines):

- entities that are fully or partially owned by the company
- entities that fully or partially own stocks of the company
- entities on which the full or partial owners of the company have control (majority interest)
- entities of which the majority of the supervisory and managing directors also represent the majority of the supervisory and managing directors of the company
- Head office of the company (branch) with registered office in a foreign jurisdiction.

Amortized Cost: An asset's historical cost net of any adjustments to the asset's book value.

ARAS: Annual Reports Automated Statements

General Annual Statement: General Annual Statement is a document that presents information about the general insurer's operations and financial performance, with an emphasis on demonstrating the insurer's solvency.

Bond: A certificate of indebtedness issued by a corporation, government or other legal entity.

Bond Amortization: The accounting process by which an insurer periodically and systematically adjusts the book value/cost of a bond purchased at a premium or discount so that, on the maturity date, the book value equals the par value of the bond.

Book Value: The value at which an asset is recorded or carried in the company's accounting records, specifically in its general ledger. Commonly, the original cost, including capitalized acquisition costs and accumulated depreciation, unamortized premium and discount, deferred origination and commitment fees, direct write-downs, and increase/decrease by adjustment.

Capital: The articles of incorporation set forth the number of authorized shares of capital stock and the par value of each share. The capital stock account represents the number of shares issued times the par value of each share. When no par value is set forth, the reporting entity shall declare a "stated value" and record such amount in the capital stock account.

Cash-Basis Accounting: A system in which a company recognizes revenues or expenses only when it receives or disburses cash.

Collateralized Mortgage Obligation (CMO): Mortgage backed bonds secured by a pool of residential mortgages.

Common Stock: A unit of ownership that typically entitles the owner to vote on the selection of supervisory directors and on other important company matters and also entitles the owner to receive dividends.

Current Market Value: Also known as the fair value and represents the price at which an asset can be sold under current economic market conditions.

Default: To fail to pay the contracted interest and/or principal amounts when required.

Depreciation: The process of spreading (allocating) the cost of an asset over the asset's estimated useful life.

Derivative: A financial asset or liability whose value depends on (or is derived from) other assets, liabilities or indices (the "underlying asset"). Derivatives are financial contracts and include a wide assortment of instruments, such as forwards, futures, options, warrants and swaps.

Fair Value (Assets): The fair value of an asset is the amount at which that asset could be bought or sold in a transaction between willing parties, other than in a forced or liquidation sale, under current economic market conditions. Quoted market prices in active markets are the best evidence of fair value and shall be used as the basis for the measurement.

If quoted market prices are not available, the estimate of fair value shall be based on the best information available. The estimate of fair value shall consider prices for similar assets and liabilities and the results of valuation techniques to the extent available in the circumstances.

Full Disclosure Concept: Also known as the *Adequate Disclosure Concept,* an accounting concept which states that financial statements must contain all material information about a company and that the company must disclose any additional information or fact that, by its omission, could mislead an interested user.

Gross Premium: The amount that the policyholders must pay for their insurance coverage, this would be the amount of the premium before discounts, any claim free dividends or any claim related experience premium rebates.

Incurred But Not Reported (IBNR) Claims: Claims that were incurred or occurred during the reporting period, but have not been reported to the insurer as of the Annual Statement reporting date.

Line of Business: A segment of the insurance market that is distinctively different from other segments, often because of sale approaches, policy administration or policyholder's service functions.

Market Value: Market value is the amount obtainable from the sale of an investment in an active market.

Mortgage Loans: A mortgage loan is an amount of money lend at interest and secured by real estate and improvements thereon. The form of the mortgage instrument itself may vary, but the debt is evidenced by an accompanying promissory note. The note is the promise to pay, which is then secured by a mortgage on real estate. The promissory note makes the borrower personally liable for the debt, which means that even if he should abandon the mortgaged property, or sell, the borrower is still liable for the debt. The borrower is also liable for any deficiency between the sale price of the foreclosed property securing the debt and the amount of the mortgage debt at the date of foreclosure. A promissory note must accompany or be part of the mortgage. The two major parties to a mortgage loan are the borrower (the person borrowing the money) and the lender. The borrower is called the mortgagor and, the lender is called the mortgagee. Both the mortgagor and mortgagee can be individuals or entities such as partnerships or corporations.

Par Value: The nominal (or face value) of a stock or bond.

Permanent available capital: Total Equity less unrealized positive adjustment for foreign exchange and positive net unrealized capital gains for the year.

Premiums Received in Advance: The amount of premium received by an insurer in advance of a policy's renewal date.

Probable Maximum Loss: The anticipated value of the largest loss that could result from the destruction and the loss of use of property, with the normal functioning of passive protective features (firewalls, a responsive fire department), and proper functioning of most (perhaps not all) active suppression systems (e.g., sprinklers). This loss estimate is usually smaller than the Maximum Foreseeable Loss, which assumes the failure of all active protective features.

Recognized stock exchange: means any regulated market for trading of investments which is situated in and recognized internationally as a stock exchange.

Reinsurance: The transaction whereby the reinsurer, for a consideration, agrees to indemnify the ceding company against all or a part of the loss which the latter may sustain under the policy or policies which it has issued.

Reinsurance Assumed: That portion of risk the reinsurer accepts from the original insurer or ceding company.

Reinsurance Ceded: That portion of the risk that the ceding company transfers to the reinsurer.

Reinsurance Experience Rating Refund: The portion of a reinsurance premium that is returned to the ceding company when claims experience is better than had been expected at the time the premium was calculated.

Return Premium: A refund to the policyholder of a portion of the premium already paid but no longer owed as a result of cancellation, endorsement, rate reduction or similar reasons.

Salvage: The sale of damaged goods, for which the insured has been indemnified by the insurance company.

Security: a security is a share, participation, or other interest in property or in an enterprise of the issuer or an obligation of the issuer that (a) either is represented by an instrument issued in bearer or registered form, or if not represented by an instrument, is registered in books maintained to record transfers by or on behalf of the issuer, (b) is of a type commonly dealt in on securities exchanges or markets or, when represented by an instrument, is commonly recognized in any area in which it is issued or dealt in as a medium for investment, and (c) either is one of a class or series or by its term is divisible into a class or series of shares, participations, interests, or obligations.

Subordinated Instrument: An unsecured obligation, backed only by the issuer's creditworthiness also referred to as a surplus note or debenture and a contribution certificate. Repayment of principal and payment of interest is subject to supervisory approval.

Subsidiary: A subsidiary is any entity that is, directly or indirectly, owned or controlled by the insurer.

APPENDIX:

Model unqualified auditor’s report on General Annual Statement

Model unqualified auditor's report on General Annual Statement

<<Supervisory board>>
<<Management board>>
<<Insurance Company name>>
<<Insurance company address>>
<<Country>>

INDEPENDENT AUDITORS' REPORT

Introduction
We have audited the General Insurance Annual Statement of <<Insurance Company name>> as of and for the year ended <<Month, day, year>>, as presented in File 200 up to File 233, excluding File 216. The Statement has been submitted through the ARAS system of the Centrale Bank van Curacao en Sint Maarten (Bank). The unique security number of the submitted Statement is << security code >>. The Statement has been drafted in accordance with the General Insurance Annual Statement Composition and Valuation Guidelines (2015) of the Bank.

Management's responsibility for the Statement
Management is responsible for the preparation and fair presentation of the Statement in accordance with the General Insurance Annual Statement Composition and Valuation Guidelines (2015) of the Bank, and for such internal control as management determines is necessary to enable the preparation of the Statement that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on the Statement based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the Statement, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the Statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the General Insurance Annual Statement of <<Insurance Company name>> as of <<Month, day, year>>, has been prepared in all material respects in accordance with accounting policies defined in the 'General Insurance Annual Statement Composition and Valuation Guidelines (2015)'.

Restriction on Use and Distribution
We draw attention to the fact that the General Insurance Annual Statement has been prepared in accordance with the General Insurance Annual Statement Composition and Valuation Guidelines (2015) of the Bank. The General Insurance Annual Statement is prepared by the entity to comply with the rules and regulations of the Central Bank of Curacao and Sint Maarten. As a result, the statement may not be suitable for another purpose. Our opinion is not qualified in respect of this matter. The General Insurance Annual Statement of … (name entity) and our auditor's report thereon is intended solely for the Central Bank of Curacao and Sint Maarten and should not be used for other purposes.

<<Place, date>>

<<Name audit firm>>

<<Name external auditor and his signature>>