CENTRALE BANK VAN CURACAO EN SINT MAARTEN
(CENTRAL BANK)

LIFE INSURANCE
ANNUAL STATEMENT COMPOSITION AND VALUATION GUIDELINES

LIFE INSURANCE

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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 statements have been addressed in the Life Insurance Annual Statement (the Statement) and Separate Accounts Life Supplemental Annual Statement (SA 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 SA Statement is similar to the Statement but doesn't include a solvency file and external auditor's certification page.

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 and the SA Statement. The official name of this document is 'Life Insurance Annual Statement Composition and Valuation Guidelines', but is shortly referred to as 'Life 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 Statement and SA Statement submitted by the licensed insurance companies transacting business in or from Curacao and Sint Maarten.

Accounting principles
The accounting principles of the Statement and SA Statement follow Generally Accepted Accounting Principles (GAAP). However, these statements are a supervisory tool and do 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 these statements from the requirements of GAAP. Therefore, in this document a full set of composition and valuation guidelines is defined for all the files in these statements. In completing these statements the applicable laws and regulations should also be taken into account.

Hereafter, some specific accounts/ topics of importance in the statements 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 107-A or 107-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, plant and equipment 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 (derivates 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 and SA Statement separate the provisions and liabilities of an insurer as to (1) Provisions for Insurance Obligations, (2) Other Liabilities and (3) Current Liabilities. The provisions for insurance obligations are mostly technical in nature (estimates) and are determined on an actuarial basis. Those payables which would fall under the category of Other 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 Life 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 Life 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 103
- 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 103

All other balances with affiliates should be reported on lines 2.7E, 3.2 or 9.9 in File 103 without netting.

Captive insurance
Captives are exempted from the admissibility requirements defined for line 2 'Investments' with the exception of line 2.7E 'Loans and Other Interest Bearing Receivables Due from Affiliates'. The admissibility test defined for line 2.7E 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 2.7E 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 and SA 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

[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.

company.

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 103, 105 and 110. These working papers should be kept for a minimum of 3 years.

Actuary's role
The principles applied to calculate the provisions for insurance obligations should be reported in File 117 of the Statement (including (partial) contents of actuarial report). File 117 and 125 of the Statement should be signed by the external actuary. The external actuary should issue an opinion on the value at year-end of the respective provisions and on the fact that the comparison of mortality experience has been reproduced correctly. The external actuary should also 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 101, 102 and 104. 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 completion of the Statement in accordance with the Life 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 and SA 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. All other 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. Since the files in the SA Statement are similar to the files of the Statement, the majority of the descriptions and valuations also apply to the SA Statement. Later in the text some specific files of the SA Statement are described.

FILE 100 '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 101 'BALANCE SHEET'

The figures in this file are automatically generated. The source of the figures is File 103.

FILE 102 '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 Life Valuation Guidelines.

3. Provisions for Insurance Obligations
   The calculation and valuation basis of these provisions are reported in File 117 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 103.

ARAS Notes to the Balance Sheet Line 2, Contingent Liabilities:
A contingent liability is:
1) a possible obligation that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events; or
2) a present obligation that arises from past events but is not 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 107-B. The question should be 'No' if it regards a local corporation. This will set the solvency file to 107-A.

ARAS Notes to the Balance Sheet Line 7, If the insurer is a Branch, is it licensed to transact the business of Accident and Sickness insurance?
This question is not applicable if the insurer is a local corporation. The answer 'Yes' will increase the applicable requirement in File 107-B to NAf 500.000. The answer 'No' will set the applicable requirement in File 107-B to NAf 400.000.

FILE 103: 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 102, 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 107.	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 depreciation, land is considered as not being subject to depreciation. Depreciation on real estate is reported in File 110-I Part-A, on line 15. In case of impairment, the loss should be reported	

			in File 110-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 110-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 17.1) Depreciation on real estate is reported in File 110-I Part-A, on line 15. In case of impairment, the loss should be reported in File 110-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. Any impairment losses should be deducted. 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 110-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 17.1) In case of impairment, the loss should be reported in File 110-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 110-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 17.1). 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 110-I Part-B, column 3 'Decrease in Book Value', line 1.	
2.2/2.2A/1-7	Unconsolidated Totally Owned Affiliated	Affiliated entities (corporations, joint ventures, partnerships, etc) are entities that are fully or partially owned (majority or minority interest)	Equity method Under the equity method, the investment is initially	

2.2/2.2B/1-10	Companies and Other Participations Unconsolidated Partially Owned Affiliated Companies and Other Participations	by the company.	recorded at cost (company's share in the affiliate's 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 110-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 106, Line 7A.	
2.3/2.3A-2.3D	Stocks in Financial	Common and preferred shares of capital stock	**Fair value model**	

	institutions Stocks in Trade and industry Stocks in Investment funds and Unit trusts Stocks in Others	owned in corporations which can be publicly 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	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 110-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 105-2, line 17.1) In case of impairment, the loss should be reported in File 110-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 110-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 105-2, line 17.1) In case of impairment, the loss should be reported in File 110-I Part-B, column 3 'Decrease in Book Value', line 4. Exception: The asset should be valued at amortised cost if both	

[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)

			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 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	**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 110-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 105-2, line 17.1). In case of impairment, the loss should be reported in File 110-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	

		grade and securities not rated. Note: • The investment grade requirement by rating agencies is not applicable to corporate bonds of local 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'	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.	
2.5	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). Non-admissible: Investment funds or pools with lower rating than investment grade and investment funds or pools not rated. Note: The investment grade requirement by rating agencies is not applicable to local non-affiliated investment funds and pools. However, the value of these local	**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 110-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 105-2, line 17.1) In case of impairment, the loss should be reported in File 110-I Part-B, column 3 'Decrease in Book Value', line 5.	

		participations should be subject to an impairment test.		
2.6/2.6A-D	Mortgage loans for • Office and shopping buildings • Other commercial buildings • Dwelling houses • Land	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)	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 105-2, line 7) OR may be transferred to the asset account of 'Unsecured Loans' (File 103-2, line 2.7D). 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.	
2.6/2.6E	Mortgage loans for • Others	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	**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	

<table>
<tr><td></td><td></td><td>existing non-residential structures.
Loans where the proceeds are to be 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’.</td><td>real estate account of ‘Other Real Estate’. All expenses such as legal fees, insurance premiums, 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 105-2, line 7) 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 105-1, line 6/6.1) or realized losses (File 105-2, line 7) and accrued interest to realized losses on mortgage loans when incurred. (File 105-2, line 7)</td><td></td></tr>
<tr><td>2/2.7/2.7A</td><td>Other loans:
Policy loans</td><td>This item regards a loan taken out of the cash value of a <u>whole life insurance policy</u> by the policy owner. Policy loans have no fixed principal payments or maturity. The interest on the loan has to be paid. However, any unpaid interest is added to the loan amount. If the loan is not repaid, the balance will be deducted from the benefits at death of the insured.</td><td>Unpaid principal balance plus any accrued unpaid interest</td><td></td></tr>
</table>

		<u>Note:</u> Money taken by the policy owner out of the savings component of a universal life policy should <u>not</u> be reported as a policy loan.		
2/2.7/2.7B	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.	
2/2.7/2.7C	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> 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.	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 to all receivables <u>in excess</u> of 90 days past due.	
2/2.7/2.7D	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	**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.	

		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.	**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.	
2/2.7/2.7E	Other loans: • Affiliated Loans and Other Interest Bearing Receivables	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, defined cancellation and repayment terms). <u>Admissibility for local insurers and direct captives 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 103, line 3/3.2E) 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 2/2.7/2.7E and line 3/3.2E. 2. Calculate 10% of the institution CY Total Assets excl AFL and calculate 25% of the institution PY Net Equity Unassigned	Nominal value of admissible outstanding balance	

		(File 106, 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. <u>For deposits at foreign banks:</u> 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).	Nominal value	

		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.		
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 category.	**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 be reported as an adjustment through File 110-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 105-2, line 17.1) In case of impairment, the loss should be reported in File 110-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.	Nominal value net of outstanding and non-cashed checks	File 109

		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		
3/3.2	Non-Interest Bearing Receivables Due from Affiliates	This account includes current accounts 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 2/2.7/2.7E, Affiliated Loans and Other Interest Bearing Receivables.	Nominal value	
3/3.3	Investment Income Due or Accrued	Includes rental income due or accrued, declared but undistributed earnings/ dividends	Nominal value	File 110-I

		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.		
3/3.4/3.4A	Premiums Receivable: • Agents' and Brokers' Debit Balances	This account represents insurance premiums due from agents/ brokers, unearned agent/ broker commissions 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 net of any provision for doubtful collections. 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.	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 brokers debit balances from current accounts should not be less than those premium receivables which are in excess 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 not be less than amounts due in excess of the contracted payment period. 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.	

3/3.4/3.4B	Premiums Receivable: • Deferred and/or Uncollected Premiums	**Deferred Premium** Deferred premiums arise when a policyholder elects to pay premiums on a basis other than annually (such as semiannually, quarterly or monthly). A deferred premium can also occur when the premium is paid 'off-anniversary', that is, when the payment date is before the policy anniversary date. Deferred premium result from the actuarial method used in calculating policy reserves, which assumes that all premiums are paid for the full policy year at the beginning of each policy year (mean reserve method). As deferred premium is reported the portion of the premium which has not been due and collected as of the balance sheet date. Deferred premiums usually arise for Whole Life insurance policies and some Annuity and Group Life policies. **Uncollected Premiums** 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. These uncollected premiums should be administered separately as to non-installment or installment premium payment basis.	Nominal value of gross premiums ***In the case of term life and health insurance policies:*** • The provision for doubtful accounts for non--installment premium on direct business should <u>not be less</u> than the premium receivables which are due 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.	

		It regards uncollected life premium that • is past due date but within the grace period or within an extended grace period (30 to 60 days extra) to avoid cancellation and reinstatement of policies. • regards policies that have cash value. OR Uncollected premium regarding term life and health insurance policies.		
3/3.5/3.5A	Reinsurance Balance Receivable: • Recoverable for Paid Benefits	The final amounts recoverable from the reinsurer(s), according to contracts, after the company has settled its obligations with the beneficiaries. 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: • Commission on Ceded Reinsurance	Commissions receivable for ceded (re)insurance business by the company.	Nominal value	
3/3.5/3.5C	Reinsurance	Regards funds deposited by the Company	Nominal value	

	Balance Receivable: • Funds Held by or Deposited with Reinsureds	(assuming insurer) at the ceding insurers as collateral according to reinsurance contract. Non-admissible: Those funds held at ceding insurers which are in excess of the secured liabilities (total of claims, claim adjustment expenses and unearned premium provision) as of balance sheet date.		
3/3.5/3.5D	Reinsurance Balance Receivable: • Premiums on Assumed Reinsurance	These are premiums which are due from ceding insurance companies.	Nominal value, less a provision for doubtful accounts per individual ceding insurer if applicable. The provision for doubtful accounts for individual ceding insurer's accounts receivable should not be less than the premium receivables which are in excess of 90 days past due.	
3/3.5/3.5E	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	
3/3.6/3.6A – 3.6J	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 not be less 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	This asset includes furniture, fixtures, equipment (including electronic data	Cost less depreciation over the useful life of the asset.	

	Vehicles	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. Note: • This asset cannot be earmarked to cover insurance obligations • This asset does not include computer software applications such as purchased or in-house developed financial or operational applications. These represent intangible assets.	In case of impairment, the loss should be reported as a write-in in the Profit & Loss account 9 'Other Changes affecting Net Results'.	
4/4.2/4.2A	Other Assets (specify): 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	
4/4.2/4.2B-4.2J	Other Assets (specify):	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	
5	From Separate Accounts Statement	Regards insurance business and investment products for which the investment risk is for the policyholder's own account. The Total Assets of the Separate Accounts Statement is transferred to this account.	Nominal value	

FILE 103: SPECIFICATION OF BALANCE SHEET ITEMS: EQUITY, PROVISIONS AND LIABILITIES

Nr	**Categorization of balance sheet item**	**Description of balance sheet item**	**Valuation principle**	**Related File**
6	**Capital an Surplus:**			
6/6.1/6.1A	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	
6/6.1/6.1B	Unpaid Capital	This item represents the par or stated value of issued capital which has not been fully paid up.	Nominal value	
6/6.1/6.1C	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	
6/6.1/6.1D	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	
6/6.2/6.2A	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		
6/6.2/6.2B	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.	Not applicable	
6/6.2/6.2C	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 gains as a result of a revaluation could be credited directly to equity under the heading of 'Revaluation surplus' (File 103-3, line 6.2C). **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	Nominal value	File 106, line 2.2F

		extent of any credit balance existing in the Revaluation surplus account in respect of that asset. After the credit balance expires, any remaining unrealized loss should be recognized in profit and loss via File 110-I, Part B, Column 3. At no point in time should revaluation surplus be reported as a negative amount in Equity.		
6/6.2/6.2D	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. • Unrealized foreign exchange result on 'Deferred Acquisition Cost' and 'Capitalized Premium Reductions' 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 106, line 2.2F 1
6/6.2/6.2E	Other	This item refers to special surplus funds accumulated by some insurers to be used	Nominal value	File 106

		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 • Potential income taxes on unrealized capital gains • Policyholders' dividends not yet declared • To cover extraordinary underwriting losses that might occur		
6/6.2/6.2F	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 104
6/6.3	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 <u>no</u> effect on the number of shares issued (line 6/6.1/6.1A) or the amount of capital paid up (line 6/6.1/6.1C & line	Cost	

		6/6.1/6.1D). 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 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.		
7	**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	Nominal value.	

		as an expense, and reported as a write-in 'Interest Payable on Subordinated Instruments' under Current Liabilities (File 103-5, 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.		
	TOTAL EQUITY	This item is automatically calculated by the ARAS system. This amount equals Total Capital plus Total Surplus minus Cost of Treasury Stock plus Subordinated Instruments. Note: 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 6/6.2/6.2C till 6.2F and 7. The other lines are not applicable. In this case Total Equity would represent Total Policyholders' Surplus.	Not applicable.	
8	**Provisions for Insurance Obligations:**			
8/8.1	Technical Provision for Life Insurances	Funds segregated by the company to cover future insurance obligations related to life insurance policies in force at the reporting date. These provisions are actuarially determined and include, but are not limited to, provisions for the following insurance products:	**Valuation:** Cost **Calculation:** The technical provisions are calculated based on generally accepted actuarial methods and assumptions in accordance	

		• Whole life insurance policies • Endowment insurance policies • Universal Life insurance policies • Term Life insurance policies Note: Insurance policies issued with the investment risk carried all or mostly by the policy holder should be separately reported in the 'Life Insurance Separate Accounts Supplemental Annual Statement'.	with the conditions defined for each life insurance policy in force at reporting date. **Certification:** The technical provisions for life insurances should be certified by an independent external actuary. **Liability Adequacy Test (LAT)** The company shall assess as of the reporting date whether its recognized 'Net Technical Provisions for Life Insurances' are adequate, using current estimates of future cash flows under its insurance contracts in force at reporting date. Refer to the 'Guideline Liability Adequacy Test' of the Bank.	
8/8.1/8.1A/1	Individual Business: • Gross Provision	This item regards the established provision for individual life insurances of the company without taking into consideration any recoverable amounts from reinsurance contracts.	Cost Refer to calculation principles described at 8/8.1 'Technical Provision for Life Insurances'	
8/8.1/8.1A/2	Individual Business: • Ceded Provision	This item regards the portion of the established provision for individual life insurances that is recoverable from reinsurance contracts. 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	Cost	

		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.		
8/8.1/8.1A/3	Individual Business: • Net Provision	This item is automatically calculated by the ARAS system. This amount equals Gross Provision minus Ceded Provision	Not Applicable	File 118
8/8.1/8.1A/4	Individual Business: • Unamortized Deferred Acquisition Cost	This item regards any remaining balance after amortization of deferred (capitalized) expenses incurred by the company when soliciting and placing new insurance business. These expenses include, amongst others, agent's commissions, underwriting expenses, medical and credit report fees and marketing support services. Acquisition expenses incurred in the year of sale of the policy could be capitalized and equally amortized over the life of the policy to match the premium income stream, with a maximum of 10 years. The company has the option to capitalize acquisition cost or to expense it as incurred in Profit or Loss	Amortized cost	File 110-G

		Statement.		
8/8.1/8.1A/5	Individual Business: • Unamortized Capitalized Premium Reductions	This item regards current year premium reductions granted by the company to individual life policy holders which are capitalized and amortized over a specific period. Usually premium reductions are granted in the case of 'rentestandkortingen'. In this case in the contract is stipulated that if the insurer's investment return exceeds the actuarial estimated return ('rekenrente'), the policy holder will share in the excess return ('overrente'). One possibility is to grant the policy holder a reduction in current year premium. If premium reductions are granted, these could be fully amortized within 8 years as follows: • In the year that the reduction was granted and the 3 following years by 15% each year; • In the last 4 years by 10% each year. The company has the option to capitalize granted premium reduction or to expense it as incurred in Profit or Loss Statement.	Amortized cost	110-G-2
8/8.1/8.1A/6	Individual Business: • Net Technical Provisions	This item is automatically calculated by the ARAS system. This amount equals to Net Provision	Not Applicable	

		minus Unamortized Deferred Acquisition Cost minus Unamortized Capitalized Premium Reductions.		
8/8.1/8.1B/1	Group Business: • Gross Provision	This item regards the established provision for group life insurances of the company without taking into consideration any recoverable amounts from reinsurance contracts.	Cost Refer to calculation principles described at 8/8.1 'Technical Provision for Life Insurances'	
8/8.1/8.1B/2	Group Business: • Ceded Provision	This item regards the portion of the established provision for group life insurances that is recoverable from reinsurance contracts. 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.	Cost	
8/8.1/8.1B/3	Group Business: • Net Provision	This item is automatically calculated by the ARAS system. This amount equals Gross Provision minus Ceded Provision	Not Applicable	
8/8.1/8.1B/4	Group Business:	This item regards any remaining balance	Amortized cost	110-G

	• Unamortized Deferred Acquisition Cost	after amortization of deferred (capitalized) expenses incurred by the company when soliciting and placing new group insurance business. These expenses include, amongst others, agent's commissions, underwriting expenses, medical and credit report fees and marketing support services. Acquisition expenses incurred in the year of sale of the group policy could be capitalized and equally amortized over the life of the policy to match the premium income stream, with a maximum of 10 years. The company has the option to capitalize acquisition cost or to expense it as incurred in Profit or Loss Statement.		
8/8.1/8.1B/5	Group Business: • Unamortized Capitalized Premium Reductions	This item regards remaining balance of current year premium reductions granted by the company to group life policy holders which are capitalized and amortized over a specific period. Usually premium reductions are granted in the case of 'rentestandkortingen'. In this case in the group contract is stipulated that if the insurer's investment return exceeds the actuarial estimated return ('rekenrente'), the group policy holder will share in the excess return ('overrente'). One possibility is to grant	Amortized cost	110-G-2

		the group policy holder a reduction in current year premium. If premium reductions are granted, these could be fully amortized within 8 years as follows: • In the year that the reduction was granted and the 3 following years by 15% each year; • In the last 4 years by 10% each year. The company has the option to capitalize granted premium reduction or to expense it as incurred in Profit or Loss Statement.		
8/8.1/8.1B/6	Group Business: • Net Technical Provisions	This item is automatically calculated by the ARAS system. This amount equals to Net Provision minus Unamortized Deferred Acquisition Cost minus Unamortized Capitalized Premium Reductions.	Not Applicable	
8/8.2	Technical Provision for Accident & Sickness (A&S)	Funds segregated by the company to cover future insurance obligations related to health insurance policies <u>in force</u> at the reporting date.	**Valuation:** Cost **Premium provision** Based on a prospective gross premium approach, these provisions relate to claims events occurring after the reporting date and during the remaining coverage period of existing policies held by the undertaking. The cash-flow projections should comprise all future claim payments (including annuities),	

			cash-flows arising from ongoing administration of the in-force policies and expected future premiums stemming from existing policies. **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 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.	

			Life actuarial techniques applied are mostly based on discounted cash-flow models, applied on a policy-by-policy or group basis and take into account in explicit manner risk factors such as morbidity, survival and changes in the health status of the insured person(s). **Certification:** The technical provisions Accident & Sickness 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 'Net Technical Provision for Accident & Sickness' (premium and claim provisions, actuarial basis) is 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.	
8/8.2/8.2A/1	Individual Business: • Gross Provision	This item regards the established provision for individual A&S insurances in force without taking into consideration any recoverable amounts from reinsurance contracts.	Cost Refer to calculation principles described at 8/8.2 'Technical Provision for Accident & Sickness'	
8/8.2/8.2A/2	Individual Business: • Ceded Provision	This item regards the portion of the established provision for individual A&S	Cost	

		insurances that is recoverable from reinsurance contracts. 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.		
8/8.2/8.2A/3	Individual Business: • Net Provision	This item is automatically calculated by the ARAS system. This amount equals Gross Provision minus Ceded Provision	Not Applicable	
8/8.2/8.2A/4	Individual Business: • Unamortized Deferred Acquisition Cost	This item regards any remaining balance after amortization of deferred (capitalized) expenses incurred by the company when soliciting and placing new insurance business. These expenses include agent's commissions, underwriting expenses, medical and credit report fees and marketing support services. Acquisition expenses incurred in the year	Amortized cost	

		of sale of the policy should be capitalized and equally amortized over the life of the policy to match the premium income stream, with a maximum of 10 years. The company has the option to capitalize acquisition cost or to expense it as incurred in Profit or Loss Statement.		
8/8.2/8.2A/5	Individual Business: • Net Technical Provisions	This item is automatically calculated by the ARAS system. This amount equals Net Provision minus Unamortized Deferred Acquisition Cost.	Not Applicable	
8/8.2/8.2B/1	Group Business: • Gross Provision	This item regards the established provision for group A&S insurances in force without taking into consideration any recoverable amounts from reinsurance contracts.	Cost Refer to calculation principles described at 8/8.2 'Technical Provision for Accident & Sickness'	
8/8.2/8.2B/2	Group Business: • Ceded Provision	This item regards the portion of the established provision for group A&S insurances that is recoverable from reinsurance contracts. 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	Cost	

		Insolvency of the reinsurer and disputes between the cedant and the reinsurer about coverage are examples of such events.		
8/8.2/8.2B/3	Group Business: • Net Provision	This item is automatically calculated by the ARAS system. This amount equals Gross Provision minus Ceded Provision	Not Applicable	
8/8.2/8.2B/4	Group Business: • Unamortized Deferred Acquisition Cost	This item regards any remaining balance after amortization of deferred (capitalized) expenses incurred by the company when soliciting and placing new group insurance business. These expenses include agent's commissions, underwriting expenses, medical and credit report fees and marketing support services. Acquisition expenses incurred in the year of sale of the group policy should be capitalized and equally amortized over the life of the policy to match the premium income stream, with a maximum of 10 years. The company has the option to capitalize acquisition cost or to expense it as incurred in Profit or Loss Statement.	Amortized cost	
8/8.2/8.2B/5	Group Business: • Net Technical Provisions	This item is automatically calculated by the ARAS system.	Not Applicable	

		This amount equals Net Provision minus Unamortized Deferred Acquisition Cost minus Unamortized Capitalized Premium Reductions.		
8/8.3	Other Technical Provisions	This account includes: • Other provisions formed by the company not included under the pre-defined categories of Life and Accident & Sickness insurance • Correction of the technical provisions based on Liability Adequacy Test (reported at line 8.3a)	Cost	
8/8.3/8.3A	Other Technical Provisions: • Gross Provision	This item regards the established provision for 'Other technical provision' without taking into consideration any recoverable amounts from reinsurance contracts.	Cost	
8/8.3/8.3B	Other Technical Provisions: • Ceded Provision	This item regards the portion of the established provision for 'Other technical provision' that is recoverable from reinsurance contracts. 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	Cost	

		between the cedant and the reinsurer about coverage are examples of such events.		
8/8.4	**Other Net Policies and Contract Provisions**			
8/8.4/8.4A/1	Policyholders' dividends, premium reductions & other similar benefits: • Declared due and unpaid	Regards discretionary contract policyholder dividends, under participating life insurance policies, declared by the supervisory board which have not been paid as yet. These dividends could be paid out in cash or could be applied to reduce premiums.	Nominal value	
8/8.4/8.4A/2	Policyholders' dividends, premium reductions & other similar benefits: • Dividend Accumulations	Regards policyholder dividends, under participating life insurance policy, which are left on deposit with the company at a specified interest rate.	Nominal value	
8/8.4/8.4B	Supplementary Contracts without Life contingencies	An agreement between a life insurance company and a policyholder or beneficiary by which the company retains the cash sum payable (proceeds) under an insurance policy and makes payments in accordance with the settlement option chosen. The options are that the beneficiary may use the proceeds to purchase a new insurance policy or the proceeds can be held at interest or paid in installments over a specified period.	Nominal value	
8/8.4/8.4C	Interest on Policy Benefits	Regards interest accrued on policy benefits payable	Nominal value	
8/8.4/8.4D	Net Benefits Provision (Due and Unpaid)	Regards policy benefits payable to beneficiary net of any recoverables from reinsurance	Nominal value	
8/8.4/8.4E	Premium and Other	This item includes, but is not limited to	Nominal value	

	Deposit Funds	• Guaranteed interest contracts. E.g. single premium paid (deposit) in the first policy year under a Deposit Term Life Insurance Policy in addition to regular term insurance premiums. This Deposit accumulates interest for a specific period (term period). • Discounted premiums received on which interest is credited each year. This amount is applied to pay future premiums as they become due. • Amounts deposited with the insurer which do not represent the discounted value of a specific number of future premiums. Future premiums are paid from these amounts and interest is added to these amounts. • Deposit administration funds. Regards a group annuity contract in which the insured group will deposit with the insurer a certain amount necessary to administer the insurance operations under the contract for a certain period.		
9	**Current Liabilities:**			
9/9.1/9.1A	Reinsurance Balance Payable: • Payable For Paid Benefits	Reinsurance company reimbursed more than the amount of reinsurance recoverable	Nominal value	
9/9.1/9.1B	Reinsurance Balance Payable:	Commission payable on insurance business ceded by other insurance companies.	Nominal value	

	• Commission on Assumed Reinsurance			
9/9.1/9.1C	Reinsurance Balance Payable: • Funds Held by or Deposited with the Company	Regards funds deposited by assuming insurers with the company (ceding insurer) as collateral according to reinsurance contract.	Nominal value	
9/9.1/9.1D	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	
9/9.1/9.1E	Reinsurance Balance Payable: • Other Amounts Payable	This account includes reinsurance balances payable 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 <u>in advance</u> 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.	Nominal value	

		This line item is also commonly referred to as 'remittances and items not allocated'. Credit suspense balances may not be offset with <u>unrelated</u> debit suspense balances. The latter should be reported as a write-in item under File 103-2, line 4.6 'Other Current Assets'.		
9/9.4/9.4A	Commissions and Other Acquisition Costs Payable: • Commission to Agents and Brokers	This account regards commissions payable to agents and brokers.	Nominal value	110-G-1
9/9.4/9.4B	Commissions and Other Acquisition Costs Payable: • Other Acquisition Costs	This item represents other acquisition costs in the writing of new business such as underwriting expenses, medical and credit report fees and marketing support services	Nominal value	110-G-2
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 103-2, line 4.1 "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	Nominal value	210-H

		which are incurred as of the reporting date.		
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	Expenses and Non-corporate Taxes Due and Accrued	Regards personnel expenses and other operational expenses payable	Nominal value	110-E
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, <u>excluding</u> 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 – 9.11J	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 • Any encumbrances on the properties	Nominal value	

		of the Company • Interest Payable on Subordinated Instruments These should be individually specified in the text box.		
10	**Other Liabilities:**			
10/10.1	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	
10/10.2	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	
10/10.3	Members' Loans (mutual company)	Loans taken from members of the mutual insurance company.	Nominal value	
10/10.4	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	
10/10.5	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	Nominal value	

		• Funds held as a deposit of security		
10/10.6	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) below 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. Note: Because stock dividends involve only capitalization of surplus and do not represent an actual distribution of assets, they are not reported on this line.	Nominal value	
10/10.7	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.	Nominal value	

		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.		
10/10.8/10.8A	Liabilities relating to deferred and uncollected premium: • Loading on the reported asset	Regards any loading included in the deferred and uncollected (gross) premium reported as an asset on line 4/3.4/3.4B, Premiums Receivable: Deferred and/or Uncollected Premiums. Loading is the addition to the pure cost of insurance (charge to cover interest and mortality) that reflects agent commissions, premium taxes, administrative costs and contingencies.	Nominal value	
10/10.8/10.8B	Liabilities relating to deferred and uncollected premium: • Cost of Collection in excess of the reported loading	Regards the difference between actual expenses (such as commissions, premium taxes, and any other expense which would be incurred upon current collection of deferred and uncollected premiums) and the loading associated with these premiums. So, the difference between 'experience loading' and 'loading' included in the premiums. First year and renewal business are combined for determining the liability.	Nominal value	
10/10.9/10.9A	Other Liabilities (Specify): • 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	Nominal value	

		exchange rate at year-end.		
10/10.9/10.9B – 10.9K	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	
11	**Contingent Liabilities**	Not Applicable	Not Applicable	
12	From Separate Accounts Statement	Regards insurance business and investment products for which the investment risk is for the policyholder's own account. The Total Assets of the Separate Accounts Statement is transferred to this account.	Nominal value	

FILE 104: 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 - 18		All items are automatically transferred from related accounts in File 105	File 105

ANALYSIS OF UNASSIGNED EARNINGS

Nr.	Unassigned Earnings item	Description of contents Analysis of Unassigned Earnings item	Related File
19	Unassigned Earnings (Beginning of year)	This item is automatically transferred from previous year Analysis of Unassigned Earnings (End of year)	
19/A	Net Profit or Loss	This item is automatically determined from File 104, line 18	
19/B	Distribution of Accumulated Earnings	This item is automatically determined from File 106, line 2.2E total.	File 106
19/C	Other Changes in Unassigned Earnings	This item is based on entries made in File 106 for the account 'Transfer to Capital - Stock dividends (line 2.2B) and line F, 'Other Surplus Changes' such as: • Changes in Technical Provisions not chargeable to Current Year Results • Other corrections of prior year values • Changes to the account 'Other' in equity (special purpose funds/ File 103-3, line 6.2E) if appropriated from unassigned earnings. • Changes in surplus of separate accounts (other than profit or loss) Note: This item does not include entries made in File 106 line F which relate to net adjustment due to foreign exchange.	File 106
20	Unassigned Earnings (End of year)	This item is automatically transferred from File 103, line 6.2F	File 103

FILE 105: SPECIFICATION OF PROFIT & LOSS STATEMENT ITEMS

Nr.	Categorization of Profit & Loss item	Description of contents Profit & Loss item	Related File
1	**Premium and Other Policy Considerations**	Automatically transferred from File 110-A	File 110-A
2	**Net Investment Income and Realized Capital Gains or Losses**		
2/2.1	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 File 110-E • depreciation on investment real estate • other investment expenses which have not been included in File 110-E.	File 110-I
2/2.2	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 foreign currency.	File 110-I
3	**Net Other Operational Income (Specify):**		
3/3.1	Net Other Operational Income: • Dividends Transferred to Accumulations	Regards policyholder dividends, under participating life insurance policy, which are left on deposit with the company at a specified interest rate. In this scenario this account is the contra entry of the 'Profit sharing' regarding 'Benefits left on deposit with the Company' account (File 105, line 10). Therefore, dividends transferred to accumulations have no effect on net income.	
3/3.2	Net Other Operational 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.	
4	**Net Benefits**	Regards benefit payments to	File 110-B

	Incurred	beneficiaries net of any balances recoverable from reinsurance	
5	**Change in Provisions for Insurance Obligations**		
5/5.1/5.1A	Net Technical Provisions: • Life Insurances	This item is automatically calculated by the system. It regards the difference between the current year and prior year value of the account Net Technical Provisions for Life Insurance (File 118, line 1/column 7).	File 103 and 118
5/5.1/5.1B	Net Technical Provisions: • Accident & Sickness Insurance	This item is automatically calculated by the system. It regards the difference between the current year and prior year value of the account Net Technical Provisions for Accident & Sickness (File 118, line 2/column 7).	File 103 and 118
5/5.1/5.1C	Net Technical Provisions: • Other Technical Provisions	This item is automatically calculated by the system. It regards the difference between the current year and prior year value of the account Net Other Technical Provisions (File 118, line 3/column 7).	File 103 and 118
5/Total	Total Changes in Provisions for Insurance Obligations	This item is automatically calculated by the system. Regards the sum of line 5/5.1/5.1A till 5/5.1/5.1C.	
5/5.2/5.2A-5.2J	Other Policy and Contract Provisions	This item regards: • Change in liability Premium and Other Deposit Funds • Change in Liability for Supplementary Contracts Without Life Contingencies • Change in Policy Dividend Accumulations	File 103
6	**Net Operational Expenditures Incurred**		
6/6.1	Net Operational Expenditures Incurred: • Insurance Expenses and	This item represents operational expenses	File 110-E

	Non-Corporate Taxes		
6/6.2	Net Operational Expenditures Incurred: • Commission and Other Acquisition Costs	This account includes: • Commissions receivable on ceded reinsurance • Commissions payable on assumed reinsurance and direct business • Other Acquisition cost Incurred such as certain underwriting expenses and fees for medical and credit reports	File 110-G, 110-G-1, 110-G-2
7	**Net Other Operational Expenditures Incurred**		
7/7.1	Net Other Operational Expenditures Incurred: • Agents' and brokers' balances & uncollected premium charged off.	Regards Agents' and brokers' balances & uncollected premium charged off, net of any amounts recovered.	
7/7.2	Net Other Operational Expenditures Incurred: • Accumulated Dividends Disbursed	Regards policy dividend payments (participating policies) that have been left on deposit with the company.	
7/7.3	Net Other Operational Expenditures Incurred: • Interest Paid on Policy Benefits	Regards Interest Paid on Net Policy Benefits Payable.	
7/7.4-7.13	Net Other Operational Expenditures Incurred: (specify)	This item includes but is not limited to: • 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	
8	**Net Transfers to or From Separate Accounts**	Regards the scenario in which separate account business (such as premium income) is processed in the same manner and with the general account	

		business. The premium or deposit is then transferred to the separate account less commissions, premium taxes and a processing fee. Any benefits and expenses incurred within the separate account business may be transferred to the general account business.	
9	**Other Changes Affecting Net Results**		
9/9.1	Other Changes Affecting Net Results: • Net Increase in Loading on Deferred and Uncollected Premium	This item regards any net increase in loading (agent commissions, premium taxes, administrative costs and contingencies) related to the net increase in deferred and uncollected premium.	
9/9.2	Other Changes Affecting Net Results: • Net Increase in Cost of Collection	This item regards any net increase in the difference between actual expenses (such as commissions, premium taxes, and any other expense which would be incurred upon current collection of deferred and uncollected premiums) and the loading associated with these premiums.	
9/9.3-9.12	Other Changes Affecting Net Results: (specify)	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	
10	**Profit Sharing to Policyholders**	This item regards policyholders' dividends (participating policies) payable to be paid in cash, left on deposit with the company, applied to premium reduction and applied to renewal premium or paid-up additions.	File 110-H
11/11.1 - 11.10	**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.	
12	**Net Operational Results Before Corporate Taxes and Net Results from Separate Accounts**	This amount is automatically calculated by the ARAS system. This item is calculated by adding lines 1, 2 and 3 and deducting lines 4, 5, 6, 7, 8, 9, 10 and 11.	
13	**Corporate Taxes Incurred**	This item represents incurred local and foreign corporate taxes as well as change in deferred tax assets and liabilities as of reporting date.	File 110-F
14	**Net Operational Results After Corporate Taxes and Before Net Results from Separate Accounts**	This amount is automatically calculated by the ARAS system. This amount equals line 12 minus line 13.	
15	**Net Profit or Loss from Separate Accounts**	Regards the net operational results (File S04, line 12) on the separate accounts business that is transferred to the general insurance business.	
16	**Net Operational Results**	This amount is automatically calculated by the ARAS system. This amount equals line 14 minus line 15.	
17	**Net Unrealized Gains or Losses**		
17/17.1	Net Unrealized Capital Gains and Losses	This item is automatically transferred by the ARAS system. 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.	File 110-I part B, line 15
17/17.2	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	
17/17.3	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.	
17/17.4	Net Unrealized Gains or Losses from Separate Accounts	Regards the net unrealized gains or losses (File S04, line 13) on the separate accounts business that is transferred to the general insurance business.	
18	**Net Profit or Loss**	This amount is automatically calculated by the ARAS system. This amount equals line 16 minus line 17.	

FILE 106: ANALYSIS OF EQUITY

Nr.	Analysis of Equity item	Description of contents 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	**Changes in Capital and Surplus for the 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 103, line 6.1A/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 103
2/2.1/D	Capital Changes: • Other Capital Changes	Not applicable	
	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.	File 103

		This amount can be determined by subtracting the previous year total of File 103, line 6.2A from the current year total.	
2/2.2/B	Transfer to Capital Stock Dividends	This item represents a decrease in Unassigned Earnings resulting from a declared and paid <u>stock</u> 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 104, line 18.	File 104
2/2.2/E1	Distribution of Accumulated Earnings: • Dividends to Stockholders	This account regards declared and paid <u>cash</u> 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/a, b	Other Surplus Changes:
	• Net Adjustment Due to Foreign Exchange from:
	  o Deferred Acquisition Costs
	  o Capitalized Premium Reductions
		Regards unrealized adjustment for foreign exchange on deferred acquisition cost and capitalized premium reduction	

2/2.2/F1/c	Other Surplus Changes: • Net Adjustment Due to Foreign Exchange from: o Others	This regards unrealized foreign exchange adjustment as a result of converting Paid-Up Capital or Contributed Surplus in foreign currency to ANG.	
2/2.2/F2	Other Surplus Changes: • Change in surplus of separate accounts (other than Profit or Loss)	Regards changes to surplus of separate accounts such as: • Change in contributed surplus • Change in net adjustment for foreign exchange • Change in technical provisions relating to prior years	
2/2.2/F3	Other Surplus Changes: • Changes in Technical Provisions Not Chargeable	Regards changes to technical provisions relating to prior year adjustments such as	File 120

	to Current Year Results	• changes in applied valuation principles (mortality, investment earnings, termination etc) • adjustment for foreign exchange.	
2/2.2/F4 - 13	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 2.2F3 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 line 2.2/Total and line 2.2F/Total.	
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 cancellation or re-issuance of treasury stock. This amount can be determined by locating file 103, line 6.3 and subtracting the previous year total from the current year total.	File 103
5	Net Change in Subordinated Instruments	This change is automatically calculated by the ARAS system.	File 103

		This amount can be determined by locating file 103, line 7 and subtracting the previous year total from the current year total.	
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 102, line 3) • contingent liabilities (File 102, 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 107-A or B.	File 107-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 107 'SOLVENCY REQUIREMENTS'

File 107-A, company with registered office in Curacao and Sint Maarten
File 107-A is automatically generated by the ARAS system, with the exception of line 1.2.

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 1 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 4% of the previous year's <u>gross</u> provisions for insurance obligations with an absolute minimum of Naf 400.000,-.

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 a of the National decree special insurance license (Nat. gaz. 1992, nr 50), the applicable solvency requirement equals 4% of the previous year's <u>net</u> provisions for insurance obligations with an absolute minimum of Naf 400.000,-.

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 net written premiums with an absolute minimum of Naf 1.000.000,-.

<u>Line 1.1 Policies without Investment Risk for the Policyholder</u>
This amount is automatically calculated by the system.

<u>Line 1.2 Policies reported as Separate Accounts</u>
This amount should be calculated by the company and manually entered in the cell. The Gross Provision in the separate accounts file (File S12) should be referenced. This line is usually applicable to 'onshore insurance business'.

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 1.3 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.

Note:
The solvency requirement is tested for a captive insurer and a professional reinsurer with registered office abroad in the same way 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 107-B, company with registered office abroad

Branch operation
File 107-B, Part 1 is automatically generated by the ARAS system.

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 sub a of the 'National decree financial criteria insurance companies' (Nat. gaz. 1992, nr 52), the applicable solvency fund of a branch operation should be Naf 400.000,-. According to article 3 sub c, in the case of a branch operation which is also permitted to transact Accident & Sickness business (article 19A of the National ordinance), the applicable solvency fund should be Naf 500.000,-.

Line 1 Applicable Requirement
This amount is automatically completed by the system depending on the type of business transacted by the Company.

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 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 107-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 36 paragraph 1 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 4% of the previous year's gross provisions for insurance obligations from the company's world wide book of business with an absolute minimum of Naf 400.000,-. In the case that the Company also transacts Accident & Sickness business, the minimum requirement should be Naf 500.000,-.

Line 1.1 Policies without Investment Risk for the Policyholder
This amount is automatically calculated by the system.

Line 1.2 Policies reported as Separate Accounts
This amount should be calculated by the company and manually entered in the cell. The Gross Provision in the separate accounts file should be referenced.

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 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 108 'CURRENCY EXPOSURE AND ASSETS EARMARKED TO COVER INSURANCE OBLIGATIONS'

File 108 PART-1

The purpose of file 108 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 (File 108 part-1, line 3, column 1) should be equal to Total Provisions for Net Insurance Obligations (File 103-4, line 8/Total).

File 108 PART-2

The purpose of file 108 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, divided between assets earmarked to cover Life obligations (column 1/Other than Accident & Sickness) and assets earmarked to cover Accident & Sickness obligations (column 2/Accident & Sickness). The total amount of earmarked assets (File 108, PART-2, Column 3/Total) should be equal or greater than the Total provisions for insurance obligations (File 108 part-1, line 3, column 1). 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 109 'CASH FLOW 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 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 (File 109, line 8.2/Current Year) should equal the amount reported as Cash on Hands and in Banks in File 103 (File 103-2, line 3.1/Current Year).

In the following paragraphs examples are provided of possible manual entries in File 109.

<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
- Accumulated Policy dividends disbursed

<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

The accounts 'Other Considerations and Deposits' and 'Net Transfer to/ from Separate Accounts' are explained as follows:

'Other Considerations and Deposits' include

- Dividends transferred to accumulations
- Change in liability Premium and Other Deposit Funds

Net Transfer to/ from Separate Accounts:
This account regards the net amount of premium or deposit (excl. commissions, premium taxes and processing fee) that is transferred to the separate accounts and any expenses incurred within the separate account business transferred to general account.

FILE 110 'ANALYSIS OF OPERATIONAL RESULTS'
The goal of this schedule is to provide insight in the profitability per line of transacted business by the Company. The information completed for the line items in each line of business 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 nine lines of business should be objectively verifiable.
The amounts reported in lines 1, 4, 5.1, 6.2 and 10 are automatically transferred from other supporting schedules (File 110-A, 110-B, 120, 110-G and 110-H).

FILE 110-A 'PREMIUM AND OTHER POLICY CONSIDERATIONS'
This schedule presents the premium & other considerations received per line of business segregated between 1st year premium, renewal premium and single premium. Also the net change in deferred/ uncollected premium and premium received in advance is reported per line of business. The company should also report whether the premium regards 'direct' business or 'assumed' business and which portion is ceded. Line 5, column 'Combined Totals' and line 6D, column 'Combined Totals' should be equal to the amount reported in File 105, line 1.

The amounts reported in columns 1 and 5 should also include considerations for supplementary contracts with life contingencies (mostly reported on line 3) and the amounts reported in columns 3 and 7 include considerations for supplementary contracts without life contingencies (mostly reported on line 3). These amounts should be reported in the appropriate cells below the schedule.

FILE 110-A PART 1 'PREMIUM AND ANNUITY CONSIDERATIONS ALLOCATED BETWEEN PARTICIPATING AND NON-PARTICIPATING POLICIES'
In this schedule the business transacted for Individual and Group Life insurance is divided between participating policies and non-participating policies. Per type of policy should be reported which portion of premium regards 1st year premium, renewal premium or single premium. The company should also report whether the premium regards 'direct' business or 'assumed' business and which portion is ceded. Line 5, column 'Combined Totals' and line 6D, column 'Combined Totals' should be equal to the sum of the amounts reported in File 110-A line 5 column 4/Total Individual Life Insurances and line 5 column 8/Total Group Life Insurances.

FILE 110-B 'NET BENEFITS INCURRED'
In this schedule the 'Net Benefits Incurred' is reported per line of business. The benefits of Individual Life Insurance are divided between Death Benefits, Maturity Benefits and Surrender Benefits. The Benefits of Group Life Insurance are divided between Death benefits and Other Benefits. Per line of business/ type of benefit the amount settled during

the year should be divided between benefits regarding 'direct business, 'assumed business and the portion that is recovered from reinsurance. The schedule also shows the change in net benefits provision per line of business/type of benefits.
The amount reported in line 3.4, column 15/Combined Totals should be equal to the amount reported in File 105, line 4.

<u>Note:</u>
The accounts 2.9A (Reinsurance Benefits Receivables/ CY recoverable) and 2.9B (Reinsurance Benefits Receivables/ PY recoverable) should only be used when according to the company's accounting policies 'benefits ceded' are recorded in P&L at the receipt of the funds from the reinsurers.

FILE 110-C 'NET BENEFITS PROVISION'
In this schedule the 'Benefits due and unpaid' and 'Benefits in Course of Settlement' are reported for each line of business. The benefits of Individual Life Insurance are divided between Death Benefits, Maturity Benefits and Surrender Benefits. The Benefits of Group Life Insurance are divided between Death benefits and Other Benefits. Per line of business/ type of benefit the amount due should be divided between benefits regarding 'direct' business, 'assumed' business and the portion that is recovered from reinsurance. Benefits incurred but not reported should be completed for the Accident and Sickness business.
The amount reported in line 4.4, column 16/Combined Totals should be equal to the amount reported in File 103, line 8.4D.

The amounts reported in columns 1 and 7 should also include payments on supplementary contracts with life contingencies and the amounts reported in columns 5 and 10 include payments on supplementary contracts without life contingencies. These amounts should be reported in the appropriate cells below the schedule.

FILE 110-D ALLOCATION OF LIFE INSURANCE BY TERRITORY
This schedule shows the following information per Territory:

- Gross Life Insurance in Force for Individual and Group Life Insurance (sums insured)
- Net Premium and Other Policy Considerations
- Net Benefits Incurred
- Change in Life Insurance Policies in Force (number of policies)

The amounts completed for Gross Life Insurance in Force (line 1) should equal File 126, line 4, columns 1 till 3 and 5 till 7. The amounts entered for 'Net Premium and Other Policy Considerations' (line 2A) should equal the amount calculated as follows: File 110-A line 5 column 13/Combined Totals minus line 5 column 11. The amounts entered for 'Net Benefits Incurred' (line 2B) should equal the amount calculated as follows: File 110-B line 3.4 column 16/Combined Totals minus line 3.4 column 14. The number of Policies in Force for Life Insurance at Year End (line 2D) should equal File 126, line 7, column 9/Combined

Totals.

In lines A2, B2 and C2 (pension & annuities) the amount of accumulated rights/ benefits should be reported.

FILE 110-E EXPENSES AND NON-CORPORATE TAXES

Insurance expenses
This schedule discloses personnel expenses and other operational expenses during the year. The other operational expenses are also subdivided in several categories. The insurance expenses are reported in the first column and require manual entry of data. The amount reported in line 7/Total Incurred Expenditures, column 1 should be equal to the amount reported in File 105, line 6.1.

Investment expenses
The investment expenses per category are reported in the second column and require manual entry of data. Any expenses incurred due to invested assets should be segregated as much as possible out of normal 'insurance expenses' and reported in this column. Therefore, these expenses should be recorded separately in the company's books.
The amount reported in line 7/Total Incurred Expenditures, column 2 is transferred to file 110-I line 14 'Investment Expenses and Non-Corporate Taxes Incurred'. This amount will reduce 'Investment Income Earned'.

Depreciation on Real Estate should be reported in ARAS File 110-I line 15 'Depreciation on Real Estate'. Real estate expenses should be reported in line 3 'Real Estate Expenses'/column 2 (investment expense).

FILE 110-F CORPORATE TAXES

This schedule specifies the amount that has been entered on line 13 'Corporate Taxes Incurred' of File 105.

FILE 110-G SUMMARY OF COMMISSION AND OTHER ACQUISITION COST

This schedule discloses the acquisition cost incurred during the year for each line of business. The acquisition costs are divided between Commissions and 'Other Acquisition Costs' such as certain underwriting expenses and fees for medical and credit reports. The amounts entered in line 1.1 'Commissions' are automatically transferred from File 110-G-1 line 4 and the amounts entered in line 1.2 'Other acquisition cost' are automatically transferred from 110-G-2 line 4. The net effect on deferred acquisition cost per line of business is also disclosed and requires manual entry of data. Lines 3/Unpaid Current Year and 4/Unpaid Previous Year are automatically transferred from File 110-G-1 line 5C and 6C and File 110-G-2 line 5C and 6C according to the following formula: amount line 3 equals File 110-G-1 line 5C plus File 110-G-2 line 5C; amount line 4 equals File 110-G-1 line 6C plus File 110-G-2 line 6C.

FILE 110-G-1 COMMISSION

In this schedule the commission expenses incurred are disclosed per line of business. This regards the commission paid to agents & brokers plus commissions paid to cedants of insurance business minus commissions received from ceded insurance business. The 'Other Payments (Net)' and net amounts unpaid previous year and unpaid current year are also disclosed. 'Other Payments' regard sharing or payment in full by the company of office, electricity and rent expenses of it's agents & brokers.

FILE 110-G-2 OTHER ACQUISITION COST

In this schedule the 'other acquisition cost' incurred are disclosed per line of business. This regards acquisition expenses incurred for direct business (such as fees of medical and credit reports), acquisition cost incurred in assuming business and acquisition costs reimbursed due to ceded insurance business. The net amounts unpaid previous year and unpaid current year are also disclosed.

FILE 110-H PROFIT SHARING

This schedule shows the policy holders dividends incurred which are on a contractual basis (guaranteed) and which are based on operational results (discretionary) including reinsurers portion per line of business. In the case of Accident & Sickness, it is not usual to grant and/or capitalize premium reduction. The profit sharing incurred is determined by the sum of the 'net profit sharing paid' (line 5) minus 'net capitalized premium reduction' (line 6/6.3) plus the 'net change in policy holders dividends declared, due and unpaid' (line 7-8). The 'policy holders dividends declared, due and unpaid' Current Year (line 7, column 13/Combined totals) should equal the liability reported in the balance sheet (File 103, line 8.4A/1). 'Total profit sharing incurred' (line 9, column 13/Combined totals) should equal the amount reported in profit or loss statement (File 105, line 10).

FILE 110-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 110-E), 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 105 line 2.1.
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 File 103, line 10/10.7 ‘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 File 103, 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’.

At line 18.1 and 18.2, the company has to show what portion of the net investment income earned is allocated to technical provisions (line 18.1) and/ or to surplus (unassigned earnings, line 18.2).

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 105, line 2.2 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 17.1 ‘Net Unrealized Capital Gains or Losses’ of File 105.

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 117 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 should be specified in this file. These principles include specification of estimated cash flows, assumptions on expenses to service contracts, segmentation of homogenous risk groups, the applied mortality and morbidity tables, discount rate, surrender and lapse rates and the use of stress testing.

In case that the Accident & Sickness provisions are determined on a non-actuarial basis, the applied principles should be specified in this file. These principles include a description of the statistical methods applied (such as Chain Ladder method and Loss Ratio method).

This file should also disclose the opinion of the external actuary on the value at year-end of the respective provisions and on the fact that the comparison of mortality experience has been reproduced correctly.

This File should be signed by an external actuary.

FILE 118 SUMMARY OF PROVISIONS FOR INSURANCE OBLIGATIONS

This schedule is almost completely automatically generated from entries made in File 103, line 8/Provisions for Insurance Obligations. Only the 'Other Policy and Contract Provisions' (line 4), 'Unamortized Deferred Acquisition Cost' (line 6) and 'Unamortized Deferred Capitalized Premium Reduction' (line 7) should be manually entered. Further, this schedule shows gross, ceded, net provisions per line and automatically calculates the change in provisions compared to prior year. The amount on line 8, column 3 should equal the amount reported in File 103, line 8/Total provisions for net insurance obligations.

FILE 120 CHANGES IN NET TECHNICAL PROVISIONS

In this schedule the net change in technical provisions for Life Insurance (File 118, line 1/column 7), Accident & Sickness (File 118, line 2/column 7) and Other (File 118, line 3/column 7) should be explained. The change should be divided between changes chargeable to Current Year (line 5) and Prior Year (line 4) operations. Changes to Prior Year operations should be charged against surplus and changes to current year operations affect profit & loss statement. The amount reported on line 5, column 13/Combined totals should be equal to the change in net technical provisions reported in File 105, line 5/Total. The amount in line 4/Total, column 13/Combined Totals should be equal to the amount reported in File 106 line 2.2/F/3.

FILE 121 SPECIFICATION OF TECHNICAL RESULTS FOR LIFE INSURANCES

<u>Part 1</u>

This schedule shows the change in Net technical provisions from Prior to Current Year (excl. Accident & Sickness and Other Technical provisions and before deduction of unamortized deferred acquisition cost and capitalized premium reductions).
Net technical provision, end previous year (line 1, column 9/Combined Totals) should be equal to the sum of the amounts reported in File 120, line 1, column 4 and 9. Net technical provision, end current year (line 3, column 9/Combined Totals) should be equal to the sum of the amounts reported in File 120, line 2/column 4 and 9. 'Net Premium & Other Policy Considerations' (line 2/2.1) and 'Net Benefits Incurred' (line 2/2.5) are automatically transferred from File 110-A, line 5 respectively File 110-B, line 3.4. The other changes

should be manually completed. The following table specifies the (normal) effect of the changes on the net technical provisions:

Change	*Effect on net technical provisions (default settings)*
Net Premium & Other Policy Considerations	Plus
Cost Available from Premiums	Minus
Required Interest Additions	Plus
Net Other Operational Income	Plus
Net Benefits Incurred	Minus
Costs Settled With The Provisions in Connection With the Valuation Method	Minus
Costs Available From Cost Provisions	Minus
Net Other Operational Expenditures Incurred	Minus
Increase or Decrease in Connection With:	
A. Actuarial Assumptions	Plus
B. Transfers From or To Other Categories (includes transfers to/ from Separate Accounts)	Plus
C. Other Changes (as far as not included in lines 2.4 and/or 2.8)	Plus

Line 4/ Results on Mortality, Disability and Other technical basis is automatically calculated by adding the changes to the net technical provision, end previous year and subsequently reducing that amount with the net technical provision, end current year. This result should be segregated in line 5 per line of business between results on Mortality, Disability, Other Technical Assumptions and Changes in Portfolio. These results should be calculated or estimated by the company per line of business.

<u>Part 2</u>
In this schedule the amounts reported in File 121-1 line 2.9 A till C are specified per line of business. Possible 'Gross changes in actuarial assumptions' (line 6) include changes in mortality tables and assumptions such as lapses/ surrenders and discount rate. 'Transfers to or from other categories' (line 7) include for example endowment life insurance that on maturity has been turned into an annuity contract. Possible 'Gross Other Changes' (line 8) include currency differences and corrections of provisions. The reason for the changes in lines 6, 7 and 8 should be explained in line 9 (Other Notes).
The total per line of business of line 6, 7 and 8 should equal File 121-1 line 2.9A respectively 2.9B respectively 2.9C.

<u>Part 3</u>
This schedule is automatically generated based on the amounts reported in File 121-1. Line 10/'Available for Costs' equals the sum of the amounts reported in File 121-1 lines 2.2, 2.6 and 2.7. Line 11/'Required Interest Additions' equals the amount reported in File 121-1 line

2.3. Line 12/'Increase or Decrease in Connection with the Changes in Actuarial Assumptions and Other Changes' equals the sum of the amounts reported in File 121-1 lines 2.9A and 2.9C. Line 13/ 'Results on Mortality, Disability, Other Technical Basis and Changes in Portfolio' equals the amounts reported in File 121-1, line 4.

FILE 124 SUMMARY OF TECHNICAL RESULTS

This schedule shows the 'Net Operational Results before Corporate Taxes and Net Results from Separate Accounts' per line of business as reported in File 110, line 12 from a technical basis. Lines 1.1B, 1.2A, 1.3 and 1.4 are automatically transferred from File 121-3. The amounts reported on line 2/'Net Profit Sharing Incurred' are automatically transferred from File 110-H, line 9. The amounts reported on line 5/'Extraordinary Results' are automatically transferred from File 110, line 11. Line 1.1A, 1.2B and line 4 should be manually completed. The total of line 1.1A, column 12/Combined Totals and line 4, column 12/Combined Totals should equal the amounts reported in File 110-I, line 18.1 respectively 18.2.

FILE 125 COMPARISON OF MORTALITY EXPERIENCE

This schedule is based on article 26, paragraph 3 of the National Ordinance which states that the Statement should contain files disclosing comparison of mortality experience. Therefore, this schedule shows a summary of the comparison of mortality experience for Individual and Group Life insurance for several types of insurance products. It regards comparison of mortality experience in the current year and over a period of more years with a maximum of 5 years. The values are transferred automatically from the supporting files (Files 125-1-1 till 125-12-3). It regards disclosure of the following type of insurance products:

- Whole Life Insurance
- Term Life Insurance
- Endowment Life Insurance
- Life Insurance Other Than Those Reported in Lines 1,2 and 3 (This type includes Universal Life Insurance, Variable Life Insurance and Unit Linked Insurance)
- Pensions and annuities before commencement
- Pensions and annuities after commencement

In the summary are disclosed per type of insurance product for the current year:

- Number of observations
- Calculated nr. of deaths
- Occurred nr. of deaths
- Occurred in percentage of calculated nr. of deaths
- Calculated amount at risk (benefits to be paid based on calculated nr. of deaths)
- Occurred amount at risk (paid benefits based on actual nr. of deaths)
- Occurred in percentage of calculated amount at risk

The same items are disclosed for comparison over a period of more years with the exception of occurred amount at risk and occurred in percentage of calculated amount at risk.

This File should be signed by an external actuary.

FILES 125-1-1 till 125-12-3 COMPARISON OF MORTALITY EXPERIENCE PER TYPE OF LIFE INSURANCE PRODUCT

In these schedules the following information should be provided per type of life insurance product:

- Column 'type of plan': name of the insurance product/ basic characteristics (such as premium payment method, used mortality table and coverage period). The name should be specific enough to enable the Bank to select a particular type of product at random and request the company for the appropriate files.
- Column 1: the mortality table used for the insurance product
- Column 2: number of observations in the current year
- Column 3: calculated nr. of deaths
- Column 4: occurred nr. of deaths
- Column 5: occurred in percentage of calculated nr. of deaths
- Column 6: calculated amount at risk
- Column 7: occurred amount at risk
- Column 8: occurred in percentage of calculated amount at risk
- Column 9: the applicable number of years should be indicated on which the historical analysis is performed. E.g. do not mention 4 years, but disclose 2004-2007.
- Column 10: number of observations in the selected years
- Column 11: total calculated nr. of deaths
- Column 12: total occurred nr. of deaths
- Column 13: total occurred in percentage of total calculated nr. of deaths
- Column 14: total calculated amount at risk

Columns 5, 8 and 13 are automatically calculated by the system.

FILE 126 LIFE INSURANCES IN FORCE

This schedule shows the additions and deductions to life insurance policies in force during the year. It regards Individual and Group Life policies, pension and annuities (policies with 'Annual Income Benefit'), additional insurances and separate account policies. Lines 1 till 5 regard sums insured of policies in force. Line 6 and 7 regard number of policies in force. The number of policies in force includes both issued policies and group certificates. The ceded portion of sums insured should be disclosed on line 5 for each line of business.

In column 2 and 6 (pension & annuities) the amount of accumulated rights/ benefits should be reported.

FILE 127 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 128 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.

SEPARATE ACCOUNTS STATEMENT

If the institution sells insurance and/ or investment products in which the investment risk is carried all or mostly by the policy holder, these products should be reported separately in the Life Insurance Separate Accounts Supplemental Annual Statement (SA Statement). Only some total accounts of the balance sheet, profit and loss statement and analysis of equity of the SA Statement are transferred to the General Account (Life Insurance Annual Statement). Examples of these products are Variable life insurance policies, Universal life insurance policies (savings component, no guaranteed returns), Unit linked insurance policies, Variable annuities and Deposit type contracts without mortality risk.

The contents of the files of the SA Statement are in principle the same as those of the Life Statement. However, the names of the files are different and there is no separate solvency file in the SA Statement. The solvency of Separate Accounts is tested together with the General Accounts in File 207-A or B of the Life Statement.

Specific remarks about some files of the SA Statement

S01 Balance Sheet/ S03 Specification of Balance Sheet Items

Account nr. 1/ Transfers Due From General Account

Regards premium or deposit amounts received in the General Account that have not been transferred as yet to the Separate Accounts. These amounts are transferred less of any commissions, premium taxes and processing fee.

Account nr. 7/ Transfers Due to General Account

Regards any benefits and expenses incurred that needs to be transferred to the General Account.

S05 Specification of Profit & Loss Statement Items

Account nr. 12/ Net Operational Results

This amount should also be reported on line 15 of File 105 of the Life Statement.

Account nr. 13/ Total/ Net Unrealized Gains 0r Losses

This amount should also be reported on line 17.4 of File 105 of the Life Statement.

S05-A Analysis of Surplus

Net Changes in Surplus for the Year (Other than Profit or Loss)

This amount should also be reported on line 2.2/F/2 of File 106 of the Life Statement.

Line 5A Surplus Commitments and Contingencies

This amount should also be reported on line 7A of File 106 of the Life Statement

Line 5B Solvency Requirement

This amount is automatically calculated by the system. It equals 4% of the Gross Technical Provisions of the Previous Year (amount reported in File S12, column 4, line 4). This amount should also be reported on line 1.2 of File 107-A or B of the Life Statement.

S16 Changes in Other Technical Provisions

This file regards an explanation of the change in the Net Other Technical Provisions (File S03, line 6.2) of the Current Year compared to the Prior Year. The several additions and reductions during the Current Year should be clearly specified.

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

Life Annual Statement: Life Annual Statement is a document that presents information about the life 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.

Capitalized Premium Reduction:
This item regards current year premium reductions granted by the company to life policy holders which are capitalized and amortized over a specific period.

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.

Deferred Premium:
Deferred premiums arise when a policyholder elects to pay premiums on a basis other than annually (such as semiannually, quarterly or monthly). A deferred premium can also occur when the premium is paid 'off-anniversary', that is, when the payment date is before the policy anniversary date. Deferred premium result from the actuarial method used in calculating policy reserves, which assumes that all premiums are paid for the full policy year at the beginning of each policy year (mean reserve method). As deferred premium is reported the portion of the premium which has not been due and collected as of the balance sheet date. Deferred premiums usually arise for Whole Life insurance policies and some Annuity policies.

Deferred Acquisition Cost:
This cost regards capitalized expenses incurred by the company when soliciting and placing new life insurance business. These expenses include agent's commissions, underwriting expenses, medical and credit report fees and marketing support services.

Acquisition expenses incurred in the year of sale of the life policy should be capitalized and amortized over the life of the policy to match the premium income stream.

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.

Premium: The amount that the policyholders must pay for their insurance coverage.

Incurred But Not Reported (IBNR) Claims: Accident & Sickness 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.

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.

Separate Accounts Life Supplemental Annual Statement:
If the institution sells insurance and/ or investment products in which the investment risk is carried all or mostly by the policy holder, these products should be reported separately in the Life Insurance Separate Accounts Supplemental Annual Statement (SA Statement). Examples of these products are Variable Life Insurance Policies, Universal Life Insurance Policies (savings component, no guaranteed returns), Unit Linked Insurance Policies and Investment products.

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 Life Annual Statement (incl. Separate Accounts)

Model unqualified auditor's report on Life Annual Statement (incl. Separate Accounts)

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

INDEPENDENT AUDITORS' REPORT

Introduction
We have audited the Life Insurance Annual Statement *and Separate Accounts Life Supplemental Annual Statement* of <<Insurance Company name>> as of and for the year ended <<Month, day, year>>, as presented in the File 100 up to File 127, excluding Files 117, 125, 125-1-1 to 125-12-3 *and File S00 up to File S20, excluding S11, S18, S18-1-1 to S18-12-3*. The Statement(s) *has/ have* been submitted through the ARAS system of the Centrale Bank van Curacao en Sint Maarten (Bank). The unique security number of the submitted Statement(s) is << security code >>. The Statement(s) *has/ have* been drafted in accordance with the Life Insurance Annual Statement Composition and Valuation Guidelines (2015) of the Bank.

Management's responsibility for the statements
Management is responsible for the preparation and fair presentation of *the/ these* Statement(s) in accordance with the Life 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(s) that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on the Statement(s) 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(s) *is/are* free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement(s). The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the Statement(s), 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(s) 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(s).

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 Life Insurance Annual Statement *and Separate Accounts Life Supplemental 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 'Life Insurance Annual Statement Composition and Valuation Guidelines (2015)'.

Restriction on Use and Distribution

We draw attention to the fact that the Life Insurance Annual Statement *and Separate Accounts Life Supplemental Annual Statement* has/ *have* been prepared in accordance with the Life Insurance Annual Statement Composition and Valuation Guidelines (2015) of the Bank. The Life Insurance Annual Statement *and Separate Accounts Life Supplemental Annual Statement* is/ *are* 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*(s)* may not be suitable for another purpose. Our opinion is not qualified in respect of this matter. The Life Insurance Annual Statement of … (name entity), *Separate Accounts Life Supplemental Annual Statement* 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>>