Guidance for Member Companies Completing the Life, Health & Annuity Guaranty Association Assessable Premium Exhibit

The Life, Health & Annuity Guaranty Association Assessable Premium Exhibit is an NAIC Annual Statement supplemental exhibit that is due on April 1. The Premium Exhibit is required to be filed in accordance with NAIC Annual Statement Instructions and applicable state law. This Guidance provides information not included in the NAIC Annual Statement Instructions for the Premium Exhibit that may be helpful for companies completing the Exhibit.

Assessable Premium Formulas Vary by State

The formulas of additions, deductions, and reclassifications of certain premiums/deposits vary by state. When preparing your Premium Exhibit, simply put the amounts on the lines indicated on the page for each state, regardless of the rules for a particular state, and the formulas in your software will make the appropriate calculations for that state.

For example, health care writers should enter their Medicare Advantage business in every state on lines 13.2 and 13.3, and the formulas for each state will automatically provide a deduction only in states that allow a Medicare Advantage deduction. insert link See Formula chart summarizing allowable A&H assessable premium deductions by state.

Guidance by Line/Section

The following are tips or explanations for various lines/sections on the Premium Exhibit form.

Line 1

Amounts on Line 1 should tie to the Schedule T line for the state.

Line 2.1

Include fees associated with variable contracts with guarantees as outlined in the NAIC Annual Statement instructions.

Allocated and Unallocated Annuities

See FAQs: Product coverage - NOLHGA for information about coverage of certain products.

Negative premiums on Lines 1 and 2 of the Exhibit indicate withdrawal activity being recorded as a negative premium through Schedule T. As a result, amounts need to be added back to reflect gross amounts received. This is accomplished on lines 3.1 through 3.5. See the NAIC Annual Statement instructions for examples of how to properly complete lines 3.1 through 3.5.

The following GAs do not cover unallocated annuities, and so Line 22 column 4 of the Premium Exhibit for these states should be zero: Alabama, Arizona, California, Colorado, District of Columbia, Florida, Hawaii, Idaho, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Missouri, Nebraska, Nevada, Oklahoma, Oregon, Puerto Rico (not a NOLHGA member), South Carolina, South Dakota, Tennessee, Wisconsin, and Wyoming.

Line 4 Transfers

Exhibit Line 1, column 4 should reflect the total of Schedule T column 5 plus column 7 for the respective state. Exhibit lines 4.1 through 4.4 are used to transfer amounts from column 4 to column 2 or vice versa. After the transfers on Lines 4.1-4.4, the amounts in column 2 of the Exhibit will reflect “allocated annuities” as that term is defined in the guaranty association laws, and the amounts in column 4 will reflect “unallocated annuities” as the term is defined in the laws (with the exception discussed below).

If you are reporting amounts on Lines 4.1, 4.2, or 4.3, column 2 should be a positive amount and the same amount should be entered in column 4 as a negative amount. If you have amounts on line 4.4, column 4 should be a positive amount and the same amount should be entered in column 2 as a negative number.

for Lines 4.1-4.4, only move amounts that are included on lines 1 or 2 of the Exhibit.

When completed properly, column 2 will contain BOTH allocated and unallocated annuities associated with governmental retirement plans qualified under IRC Sections 401, 403(b), and 457 and all other allocated annuities.

Line 6-9 Premium Deductions

5. Total (Lines 1 + 2.99 + 3.99 + 4.99)	5,333,740,593	17,085,215,094	1,488,135,290	64,236,286
DEVELOPMENT OF AMOUNTS INCLUDED IN LINES 1 THROUGH 5 THAT SHOULD BE DEDUCTED IN DETERMINING THE BASE PRIOR TO ADDITIONAL ADJUSTMENTS IN PART 2. Do not include any amounts more than once in Lines 6 through 9.				
6. Non-guaranteed separate account business in which the premiums are for portions of policies or contracts NOT guaranteed or under which the entire investment risk is borne by the policyholder.	626,792,283	15,919,867,247		51,432,923
7. Current year amounts received as part of the Federal Home Loan Bank program BUT ONLY IF included in Line 5				
8. Current year amounts received for supplemental contracts and retained asset programs BUT ONLY IF included in Line 5 and if any prior years original premiums were reported as assessable premium				
9. Dividends paid or credited, but only if NOT guaranteed in advance	293,961,192		1,788	
ASSESSABLE PREMIUM BASE BEFORE ADDITIONAL ADJUSTMENTS IN PART 2				

Line 6–9 are unique items that must be deducted to arrive at net assessable premium. The descriptions are self-explanatory but must be determined by review of the insurer’s records. Deductions include: non-guaranteed portion of separate accounts, receipts from the Federal Home Loan Bank Program, supplemental contracts, and dividends. Amounts should only be deducted on lines 6–9 if originally included on line 1 or 2 of the Exhibit.

Deductions on line 6 for separate account business, in total for all states, should match footnote 35 of the Annual Statement for non-guaranteed amounts.

Lines 12–21

These are items tied to individual state guaranty association laws. The formula chart has a detailed listing of each state’s allowances and deductions. *Place link to formula chart.*

Segregating Amounts for Various Lines on Part 2

Part 2 of the Premium Exhibit requires companies to segregate certain amounts based on the size of the underlying contracts. Here's how a company that wrote 3 separate book value accounting contracts for defined contribution plans would complete Line 15:

Year 1/year contract was originally issued:	Amount received on contract	**15.1** - Amounts NOT in excess of $1M per contract	**15.2** - Amounts in excess of $1M but NOT in excess of $5M per contract	**15.3** - Amounts in excess of $5M per contract	**15.4** - Total
Contract #1	750,000	750,000	-	-	750,000
Contract #2	2,000,000	1,000,000	1,000,000	-	2,000,000
Contract #3	6,000,000	1,000,000	4,000,000	1,000,000	6,000,000
	8,750,000	2,750,000	5,000,000	1,000,000	8,750,000
		These highlighted amounts would be entered on lines 15.1 through 15.4			

Year 2 of the same contracts above:	Amount received on contract	**15.1** - Amounts NOT in excess of $1M per contract	**15.2** - Amounts in excess of $1M but NOT in excess of $5M per contract	**15.3** - Amounts in excess of $5M per contract	**15.4** - Total
Contract #1	1,000,000	250,000	750,000	-	1,000,000
Contract #2	5,000,000	-	3,000,000	2,000,000	5,000,000
Contract #3	4,000,000	-	-	4,000,000	4,000,000
	10,000,000	250,000	3,750,000	6,000,000	10,000,000
		These highlighted amounts would be entered on lines 15.1 through 15.4			

Line 22

Assessable Premium Base by State -- This is the amount that will be used for guaranty association assessments.

General Tips

- Exhibits 1 and 7 in the General Account and Exhibit 4 in the Separate Account should be reviewed for any covered products that should be included in assessable premium but are not included on Schedule T.
- **IA/KS/LA/MN/NJ specific lines** – Complete these lines only if you write in these states—use the same methodology for segregating amounts as described in line 15.
- A&H writers – lines 1 and 13 are the most important for properly completing the Premium Exhibits.

- LTC/DI writers – don't forget to complete the footnote on Part 1 to include all LTC/DI amounts by state.
- Fill out Footnote 2 with a primary contact for assessment inquiries at your company.

Amending Premium Exhibits

Amended Premium Exhibits should be submitted directly through the NAIC website before July 15th to be included in the assessable premium amounts provided to the participating state guaranty associations for that calendar year.