

Texas Department of Insurance

Financial, Financial Analysis & Examinations, Mail Code 303-1A 333 Guadalupe St •Austin, Texas 78701 512-322-5002 telephone • 512-322-5082 fax • www.tdi.state.tx.us

To All Companies Writing Fire And Allied Lines Insurance of Texas

Provisional Application Form for the Payment of Dividends or Profit Sharing with Policyholders Under Fire and Allied Lines Policies of Insurance

Enclosed is a Provisional Application Form for the payment of dividends or the sharing of profits with policyholders. This form is to be used by companies in applying to the Texas Department of Insurance for permission to pay dividends to or to share their profits with policyholders of Fire and Allied Lines, Homeowners and Farm and Ranchowners Policies of Insurance as provided in Articles 5.41, 21.31, and 21.32 of he *Texas Insurance Code* as amended.

Homeowners and Farm and Ranchowners dividends may only be paid on the combined Fire and Allied Lines and Casualty Line premium and may not be paid separately by line of insurance.

Please complete and file with this office.

Financial Analysis and Examinations Kristine Ehrlich 333 Guadalupe St MC 303-1A Austin TX 78701

Phone: (512) 322-5030 Fax: (512) 322-5082

Enclosure

ADDRESS

CITY

STATE ZIP

DATE

Application is hereby made to the Texas Department of Insurance by the undersigned officers of the above named company for authority under the provisions of the *Texas Insurance Code*, Article 5.41, 21.31 and 21.32 to pay dividends to or share its profits with Texas policyholders in accordance with the information set out and sworn to herein.

The following information was taken from the company's latest annual statement and covers the period ending December 31

| Admitted Assets (1) | \$ | |
|---|---------------------------------------|--|
| | Ψ | |
| | | |
| Total Liabilities (2) | \$ | |
| | | |
| Surplus on Pererde Delievheldere | | |
| Surplus as Regards Policyholders: | | |
| Capital Paid Up | \$ | |
| | | |
| Special Surplus Funds: | \$ | |
| Special Sulpius Fullus. | φ | |
| | | |
| | \$ | |
| | · · · · · · · · · · · · · · · · · · · | |
| | * | |
| Guaranty Fund | \$ | |
| | | |
| Surplus | \$ | |
| Galpias | Ψ | |
| | | |
| Total Surplus as Regards Policyholders: | \$ | |
| | \$ | |
| □ Gain □ Loss from Underwriting | Ψ | |
| | | |
| | \$ | |
| □ Gain □ Loss from Investments | ¥ | |
| | | |
| | \$ | |
| □ Gain □ Loss Other Income | Ŷ | |
| | | |
| Net Income, Before Taxes | \$ | |
| | · · · · · · · · · · · · · · · · · · · | |
| | * | |
| Federal Taxes Incurred | \$ | |
| | | |
| Net Income, after Taxes | \$ | |
| | Ψ | |
| | | |
| 1 List All Contingent Assets | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| 2 List All Contingent Liabilities | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | SIGNATURE AND TITLE | |

NAME OF COMPANY

1 Have the Board of Directors of the company applying for dividend authority in this application passed a resolution declaring 1) the sums of money to be disbursed and 2) the classes to be included and excluded?

| Disease include a carry of this resolution with the application to the Taylor Department of Inclusion | □ Yes | □ No |
|--|-----------|----------|
| Please include a copy of this resolution with the application to the Texas Department of Insurance | e. | |
| 2 Does your company fully understand that: | | |
| a) no dividends may be promised or guaranteed to your policyholders? | □ Yes | □ No |
| b) dividends shall be disbursed only from the "earned" surplus? | □ Yes | □ No |
| c) dividends for Fire and Allied Lines, Homeowners and Farm and Ranchowners shall be dis | bursed ur | niformly |
| by classes? | □ Yes | □ No |
| d) the policy contract for the line or lines of insurance for which dividend authority is reques the standard participation language approved by the Texas Department of Insurance for the (Participating Stock or Mutual)? | | |
| e) no dividend may be paid until expiration of the policy? | □ Yes | □ No |
| f) canceled policies, coverages or units of exposure are entitled to an earned dividend? | □ Yes | □ No |
| g) earned dividends may not be used by the company to extend or renew policies? | □ Yes | □ No |
| h) a dividend application should be submitted to the Commissioner of Insurance annually? | □ Yes | □ No |
| i) after a company receives approval to pay dividends, should the company desire to change the dividend amount, a new application shall be completed? | | |

3 Explain below the procedure and control exercised by your company to see that all dividends paid by your company are actually received by the policyholders:

| NAME OF COMPANY | |
|---|----------------------------|
| 1 Total policyholders' dividends paid in all states for all lines- | \$ |
| preceding year ending December 31, 20 | |
| 2 Total policyholders' dividends paid in Texas for all lines- | \$ |
| preceding year ending December 31, 20 | |
| 3 Total policyholders' dividends paid in all states for Fire and Allied Lines in | surance only- |
| preceding year ending December 31, 20 | \$ |
| 4 Total policyholders' dividends paid in Texas for Fire and Allied Lines Ranchowners Insurance only- | s, Homeowners and Farm and |
| preceding year ending December 31, 20 | \$ |
| 5 Total policyholders' dividends proposed to be disbursed in all states for all I | ines of insurance: |
| | \$ |
| 6 Total policyholders' dividends proposed to be disbursed in all states for Fire and Farm and Ranchowners Insurance: | |
| | \$ |
| 7 Total proposed dividends to be paid Texas insurance policyholders*: | \$ |
| a What is the rate of dividend being paid Fire and Allied Lines, Homeor Ranchowner policyholders? | wner and Farm and % |
| b What is the rate of dividend being paid Fire and Allied Lines, Homeowr policyholders outside of Texas on policies currently expiring | |
| ${f c}$ Do you pay the sum rate of dividend to all of your Texas Fire and Allied | d Lines, Homeowner |
| and Farm and Ranchowner policyholders? | 🗆 Yes 🗆 No |
| 8 The sum shown under 7 above, except for dividends accrued but unpaid, is t expiring between, 20, and | |
| *Includes Fire and Allied and Casualty Lines of Insurance for H.O. and F.R | .0. |
| ** List in detail all Fire and Allied Lines Classes and H.O. and F.R.O. percent necessary. | ages, attach separately if |
| | |
| | |
| | |

| Texas Fire and Allied Lines Experience Fire: | LATEST 1 YEAR | LATEST 5 YEARS |
|--|---|---------------------------------------|
| Earned Premiums | \$ | \$ |
| | | |
| *Incurred Losses | \$ | \$ |
| | ~ | <u> </u> |
| Loss Ratio | % | % |
| Extended Coverage: | | |
| Earned Premiums | | \$ |
| | ¥ | · · · · · · · · · · · · · · · · · · · |
| *Incurred Losses | \$ | \$ |
| | | |
| Loss Ratio | % | % |
| | | |
| +Homeowners & Farm and Ranchowners: | | |
| Earned Premiums | \$ | ¢ |
| Lameu Fremiums | Φ | \$ |
| *Incurred Losses | \$ | \$ |
| | | |
| Loss Ratio | % | % |
| Nationwide Fire and Allied Lines | | |
| Nationwide Fire and Allied Lines Experience Fire: | | |
| Experience rife. | \$ | \$ |
| | | |
| *Incurred Losses | \$ | \$ |
| | | |
| Loss Ratio | % | % |
| Extended Coverege: | | |
| Extended Coverage: Earned Premiums | \$ | \$ |
| Edition Freihand | Ŷ | Ψ |
| *Incurred Losses | \$ | \$ |
| | | |
| Loss Ratio | % | % |
| | | |
| +Homeowners & Farm and Ranchowners: | | |
| Earned Premiums | \$ | \$ |
| | T | τ |
| *Incurred Losses | \$ | \$ |
| | | |
| Loss Ratio | % | % |
| | | · · · - |

* Loses to include all Loss Adjustment Expenses+ Include both Property and Casualty premiums and losses.

TEXAS DEPARTMENT OF INSURANCE ANALYSIS OF SURPLUS File with 2005 Property and Casualty Annual Statement

Pursuant to TAC 7.68, file this Form if TX P&C domestic company, commercially domiciled P&C company, or foreign P&C company filing a policyholder dividend in TX.

| Company Name | | |
|--|------------------|----------|
| to | | |
| Insert inception or genesis date Insert date of curren | t financial stat | ement |
| Cumulative Surplus | | |
| | | [use () |
| | | for |
| | | decreas |
| | | es of |
| | | surplus |
| The encounte heless are essentiated from incontion | |] |
| The amounts below are cumulative- from inception Net income before dividends to policyholders and before federal income taxes | ¢ | |
| Dividends to policyholders | \$ _ | |
| Federal and foreign income taxes incurred | - | |
| Nonadmitted assets | - | |
| Provision for reinsurance | - | |
| Dividends to stockholders - cash | - | |
| Dividends to stockholders - paid in stock other than return of surplus paid in | - | |
| Cumulative effect of changes in accounting principles | - | |
| | - | |
| | | |
| | | |
| Earned Surplus | Total | |
| | | |
| The said summer from the | | |
| Special surplus funds: | | |
| Special surplus funds: | | |
| | | |
| Statutory guaranty fund | | |
| Statutory guaranty fund Gross paid in and contributed surplus | | |
| Statutory guaranty fund Gross paid in and contributed surplus Surplus arising from sale of surplus debentures, etc. | | |
| Statutory guaranty fund Gross paid in and contributed surplus Surplus arising from sale of surplus debentures, etc. Surplus debentures paid off or retired, etc. | | |
| Statutory guaranty fund Gross paid in and contributed surplus Surplus arising from sale of surplus debentures, etc. Surplus debentures paid off or retired, etc. Surplus arising from increase in book value of real estate | | |
| Statutory guaranty fund Gross paid in and contributed surplus Surplus arising from sale of surplus debentures, etc. Surplus debentures paid off or retired, etc. Surplus arising from increase in book value of real estate Dividends to stockholders paid in stock by return of surplus paid in | | |
| Statutory guaranty fund Gross paid in and contributed surplus Surplus arising from sale of surplus debentures, etc. Surplus debentures paid off or retired, etc. Surplus arising from increase in book value of real estate Dividends to stockholders paid in stock by return of surplus paid in Unrealized capital <u>gains gross</u> * | | |
| Statutory guaranty fund Gross paid in and contributed surplus Surplus arising from sale of surplus debentures, etc. Surplus debentures paid off or retired, etc. Surplus arising from increase in book value of real estate Dividends to stockholders paid in stock by return of surplus paid in Unrealized capital gains gross* Unrealized capital losses gross* | | |
| Statutory guaranty fund Gross paid in and contributed surplus Surplus arising from sale of surplus debentures, etc. Surplus debentures paid off or retired, etc. Surplus arising from increase in book value of real estate Dividends to stockholders paid in stock by return of surplus paid in Unrealized capital <u>gains gross</u> * Unrealized capital <u>losses gross</u> ** Unrealized foreign exchange adjustment <u>gains gross</u> *** | | |
| Statutory guaranty fund Gross paid in and contributed surplus Surplus arising from sale of surplus debentures, etc. Surplus debentures paid off or retired, etc. Surplus arising from increase in book value of real estate Dividends to stockholders paid in stock by return of surplus paid in Unrealized capital gains gross* Unrealized capital losses gross* | | |

28. Net surplus at date of current financial statement exclusive of capital

* Enter the excess of market value over book value for all securities with a gain position at current financial statement date.

** Enter the excess of book value over market value for all securities with a loss position at current financial statement date.

*** Enter the excess, if any, of the foreign exchange rate at the statement date over book value of foreign currency assets.

**** Enter the excess, if any, of the book value of foreign assets over the foreign exchange rate at the statement date.

Analysis of Surplus - General Guidelines:

The analysis of surplus form allocates net surplus into component parts since inception of the company, exclusive of capital. The main purpose of this form is to determine the amount of earned surplus.

Positive earned surplus is required before dividends can be paid under TX Insurance Code articles 21.31, 21.32 and 21.32A. Exclusive of capital, surplus is viewed in two broad categories - it is either contributed or it is earned. The form is basically structured in 3 parts; (a) earnings (lines 1 - 11), (b) surplus contributions (lines 15-18), and (c) unrealized gains and losses (lines 22, 23, 24). To calculate earned surplus add lines 1 - 11. There may be other transactions that also affect earnings, but are not included in current year earnings lines 1-11, such as prior period adjustments. These would be write-in items and would be added to the earned surplus calculation. This form excludes unrealized gains and losses and change in net deferred income tax in the calculation from earned surplus.

Note: Some items on this form require historical information (e.g. net income), while other information can be derived from the annual statement itself as a change from one period to another (e.g. nonadmitted assets).