



AMERICAN ACADEMY of ACTUARIES

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May 21, 2019

Phil Vigliaturo, Chair
Casualty Actuarial and Statistical (C) Task Force
National Association of Insurance Commissioners

Dale Bruggeman, Chair
Statutory Accounting Principles (E) Working Group
National Association of Insurance Commissioners

Via email

RE: Schedule P Instructions for Retroactive Reinsurance between Affiliates and Non-Affiliates

Dear Messrs. Vigliaturo and Bruggeman:

The Committee on Property and Liability Financial Reporting (COPLFR) of the American Academy of Actuaries¹ has noticed that the existing guidance for portfolio retroactive reinsurance that is accounted for as affiliated prospective reinsurance (SSAP 62R, paragraph 31) but that does not meet the definition of Run-Off Agreements (SSAP 62R, paragraphs 81-84) is ambiguous with regards to reporting requirements, particularly regarding the NAIC Statutory Annual Statement's Schedule P. The ambiguity, as we observe the practices adopted by statutory insurance company filers, has led to materially different presentations in Schedule P. We believe that this ambiguity in Schedule P presentation should be addressed, given that industry Schedule P is utilized for risk-based capital (RBC) purposes as well as other purposes, and given the increased propensity for companies to entertain partial loss portfolio transfers that do not fully meet the requirements of "Run-Off Agreements."² We wish to point out these ambiguities and offer suggested revisions.

Attached to this letter are two insurance company examples of filed Schedule P's illustrating this ambiguity. We note that the Schedule P information is publicly available data.

In 2015 Allianz Global Risks US Insurance Company ("Allianz") ceded much of its 2012 & prior Workers Compensation ("WC") business to a U.S. affiliate, San Francisco Reinsurance ("San

¹ The American Academy of Actuaries is a 19,500-member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 50 years, the Academy has assisted public policy makers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

² SSAP 62R gives guidance on the accounting treatment of "Run-Off Agreements," but that definition only applies to situations where an insurer exits "essentially all the risks ... of a specific line" and no longer writes business in that line. That guidance does not address the increasingly common situation where an insurer cedes reserves from all or a portion of prior writings for a line but continues to write new/renewal business for that line, i.e., partial portfolio transfers.

Francisco Re”). San Francisco Re is now named Allianz Reinsurance of America, Inc. (“Allianz Re”). In doing so it treated all the consideration paid as calendar year (“CY”) 2015 ceded earned premium. Initially, as of December 31, 2015, Allianz included all of the ceded losses in accident year (“AY”) 2015. However, for the following year (as of December 31, 2016), Allianz recorded the ceded losses across the subject AYs 2012 and prior. This approach distorted the 2015 CY and AY loss ratios and the loss development patterns for AYs 2015 and 2012 and prior. We have attached the relevant Schedule P excerpts from Allianz’s 2015 and 2016 Annual Statements as Attachment A. Descriptions of the transaction are described in the Allianz Re Statement of Actuarial Opinion as of December 31, 2018, also a public document, in Attachment A1SAO. The Management Discussion and Analysis for Allianz Re as of December 31, 2018, is attached as Attachment A2MDA.

In 2014, Government Employees Insurance Company (“GEICO”) ceded half of its loss and Loss Adjustment Expense (hereinafter collectively referred to as “loss”) reserves as of January 1, 2014, to its indirect parent, National Indemnity Company (“NICO”). In doing so it treated the consideration paid as ceded earned premium spread to prior CYs (based on the allocation of loss reserves by AY as of January 1, 2014), with the ceded losses also spread across prior AYs. This avoided distorting the CY/AY loss ratios but did distort the loss development patterns. We have attached the Schedule P and Note 21 excerpts from the 2014 GEICO Annual Statement as Attachment B.

Both transactions had the potential to materially distort industry totals with regard to loss development. They also most likely did distort data used in the RBC calculations for those companies. We note that it is unclear from either SSAP 62R or Schedule P instructions whether either should have done anything different. Whether to record ceded earned premium all to one CY, or to all the CYs with impacted AYs, appears to be up to the individual company’s option. We also note that these transactions can distort other schedules on the Annual Statement such as Page 3, the Underwriting and Investment Exhibits, and Schedule F.

For those agreements meeting the definition of “Run-Off Agreements” in SSAP 62R (paragraph 81), the required accounting is clear. The ceded earned premium from such agreements is to be recorded as a negative paid loss, so as not to distort the incurred development data by AY. But neither the GEICO nor the Allianz agreements were “run-off” agreements as they transferred only a portion of the prior book (and the ceding companies were still writing new business for that line/market).

We suggest that the NAIC expand the Annual Statement Instructions, and recommend SSAP 62R be clarified, as follows:

- Provide consistent guidance on the reporting treatment in these situation to both the ceding entity and assuming entity, where both are members of the same group and are consolidated in the same Combined Annual Statement.
- Clarify the reporting method to be used if the ceding entity and assuming entity are not in the same group.

We note that the treatment of these transactions impacts the industry RBC calculation. If both sides handle the transaction the same way and both are U.S. reporting entities, the industry RBC calculation might not be impacted. However, the industry RBC calculation would be impacted if the two sides handle the transaction differently, or if one side was a U.S. company and the other side was a non-U.S. company. Therefore, we recommend clarification to the Annual Statement

Instructions and SSAP 62R.

COPLFR appreciates this opportunity to provide input to the Casualty Actuarial and Statistical Task Force and the Surplus Lines Task Force. We hope these observations are useful, and we welcome any further discussion or review that may be helpful to this process. If you have any questions about our comments, please contact Marc Rosenberg, senior casualty policy analyst (rosenberg@actuary.org; 202-223-8196).

Sincerely,

Kathleen C. Odomirok, MAAA, FCAS
Chairperson, COPLFR
American Academy of Actuaries

Cc: Bob Schump, NAIC staff
Kris DeFrain, NAIC staff
NAIC P&C RBC Working Group
American Academy of Actuaries RBC Committee

(Four attachments.)

ANNUAL STATEMENT FOR THE YEAR December 31, 2015 OF THE Allianz Reinsurance Amer Inc. (NAIC #21911)

SCHEDULE P - PART 1 - Workers' Compensation

(\$'000 Omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	1	2	3	4	5	6	7	8	9	10	11	12	
	Premiums Earned			Loss and Loss Expense Payments									Number of Claims Reported Direct and Assumed
	Direct and Assumed	Ceded	Net (Cols. 1-2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		Salvage and Subrogation Received	Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)		
				Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded				
1 Prior	XXX	XXX	XXX	24,464	188	2,586	0	1,750	0	0	28,611	XXX	
2 2006	0	0	0	834	0	88	0	49	0	0	971	0	
3 2007	0	0	0	681	0	70	0	41	0	0	792	0	
4 2008	0	0	0	893	0	135	0	46	0	0	1,074	0	
5 2009	0	0	0	1,796	0	116	0	48	0	0	1,960	0	
6 2010	0	0	0	1,562	0	282	0	63	0	0	1,906	0	
7 2011	0	0	0	3,093	0	471	0	97	0	0	3,661	0	
8 2012	0	0	0	4,899	0	595	0	106	0	0	5,600	0	
9 2013	0	0	0	0	0	0	0	0	0	0	0	0	
10 2014	0	0	0	0	0	0	0	0	0	0	0	0	
11 2015	1,093,283	0	1,093,283	0	0	0	0	0	0	0	0	0	
12 Totals	XXX	XXX	XXX	38,222	188	4,343	0	2,200	0	0	44,575	XXX	

	13	14	15	16	17	18	19	20	21	22	23	24	25	
	Losses Unpaid			Defense and Cost Containment Unpaid						Adjusting & Other Unpaid		Salvage and Subrogation Anticipated	Total Net Losses and Expenses Unpaid	Number of Claims Outstanding Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		Direct and Assumed	Ceded				
	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded						
1 Prior	529,635	1,153	289,790	0	0	0	41,318	0	13,374	0	0	872,964	0	
2 2006	12,748	0	4,457	0	0	0	1,219	0	375	0	0	18,799	0	
3 2007	14,250	0	4,208	0	0	0	1,326	0	313	0	0	20,096	0	
4 2008	6,054	0	7,438	0	0	0	1,267	0	352	0	0	15,111	0	
5 2009	5,847	0	7,489	0	0	0	1,626	0	365	0	0	15,328	0	
6 2010	10,834	0	12,147	0	0	0	3,087	0	478	0	0	26,546	0	
7 2011	23,608	0	18,282	0	0	0	4,832	0	739	0	0	47,460	0	
8 2012	14,775	0	20,801	0	0	0	6,189	0	806	0	0	42,572	0	
9 2013	0	0	0	0	0	0	0	0	0	0	0	0	0	
10 2014	0	0	0	0	0	0	0	0	0	0	0	0	0	
11 2015	0	0	0	0	0	0	0	0	0	0	0	0	0	
12 Totals	617,751	1,153	364,612	0	0	0	60,864	0	16,802	0	0	1,058,876	0	

	26	27	28	29	30	31	32	33	34	35	36
	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		Inter-Company Participation Percentage	Net Balance Sheet Reserves After Discount	
	Direct and Assumed	Ceded	Net	Direct and Assumed	Ceded	Net	Loss	Loss Expenses		Losses Unpaid	Loss Expenses Unpaid
1 Prior	XXX	XXX	XXX	XXX	XXX	XXX	0	0	XXX	818,272	54,692
2 2006	19,770	0	19,770	0.0	0.0	0.0	0	0	0.0	17,205	1,594
3 2007	20,888	0	20,888	0.0	0.0	0.0	0	0	0.0	18,458	1,638
4 2008	16,185	0	16,185	0.0	0.0	0.0	0	0	0.0	13,492	1,619
5 2009	17,287	0	17,287	0.0	0.0	0.0	0	0	0.0	13,336	1,992
6 2010	28,451	0	28,451	0.0	0.0	0.0	0	0	0.0	22,981	3,565
7 2011	51,122	0	51,122	0.0	0.0	0.0	0	0	0.0	41,890	5,570
8 2012	48,172	0	48,172	0.0	0.0	0.0	0	0	0.0	35,576	6,995
9 2013	0	0	0	0.0	0.0	0.0	0	0	0.0	0	0
10 2014	0	0	0	0.0	0.0	0.0	0	0	0.0	0	0
11 2015	0	0	0	0.0	0.0	0.0	0	0	0.0	0	0
12 Totals	XXX	XXX	XXX	XXX	XXX	XXX	0	0	XXX	981,210	77,665

SCHEDULE P - PART 2 - Workers' Compensation

Years in Which Losses Were Incurred	1	2	3	4	5	6	7	8	9	10	11		12
	INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										DEVELOPMENT		
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	One Year	Two Year	
1 Prior	755	4,782	6,660	9,018	9,184	11,628	18,993	18,696	18,911	896,993	878,082	878,297	
2 2006	0	0	0	0	0	0	0	0	0	19,346	19,346	19,346	
3 2007	XXX	0	0	0	0	0	0	0	0	20,534	20,534	20,534	
4 2008	XXX	XXX	0	0	0	0	0	0	0	15,788	15,788	15,788	
5 2009	XXX	XXX	XXX	0	0	0	0	0	0	16,875	16,875	16,875	
6 2010	XXX	XXX	XXX	XXX	0	0	0	0	0	27,910	27,910	27,910	
7 2011	XXX	XXX	XXX	XXX	XXX	0	0	0	0	50,287	50,287	50,287	
8 2012	XXX	XXX	XXX	XXX	XXX	XXX	0	0	0	47,260	47,260	47,260	
9 2013	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0	0	0	0	0	
10 2014	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0	0	0	XXX	
11 2015	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0	XXX	XXX	
12 Total											1,076,082	1,076,297	

ANNUAL STATEMENT FOR THE YEAR December 31, 2016 OF THE Allianz Global Risks US Ins Co (NAIC #35300)

SCHEDULE P - PART 1 - Workers' Compensation

(\$'000 Omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	1	2	3	4	5	6	7	8	9	10	11	12	
	Premiums Earned			Loss and Loss Expense Payments									Number of Claims Reported Direct and Assumed
	Direct and Assumed	Ceded	Net (Cols. 1-2)	Loss Payments			Defense and Cost Containment Payments		Adjusting and Other Payments		Salvage and Subrogation Received	Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	
				Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded				
Direct and Assumed										Ceded			
1 Prior	XXX	XXX	XXX	60,328	55,605	5,347	5,261	1,922	1,952	0	4,779	XXX	
2 2007	180,051	849	179,202	82,235	2,489	6,736	146	48,686	31	454	134,991	12,546	
3 2008	140,259	795	139,464	68,516	2,009	5,917	212	43,170	70	1,186	115,312	9,821	
4 2009	120,600	640	119,960	69,979	1,564	6,033	172	43,507	66	600	117,717	8,677	
5 2010	127,176	856	126,320	80,871	2,184	8,186	440	11,236	107	586	97,562	11,073	
6 2011	139,307	812	138,495	90,678	6,935	10,187	840	14,517	142	654	107,465	11,457	
7 2012	139,822	573	139,249	69,447	26,850	9,626	3,365	13,628	199	288	62,287	9,736	
8 2013	117,182	66	117,116	42,795	(1,616)	6,645	(72)	24,952	155	171	75,925	6,735	
9 2014	95,298	(1)	95,299	22,207	(2,432)	3,669	582	26,280	158	3,041	53,848	4,883	
10 2015	84,691	1,096,983	(1,012,292)	15,672	(182)	2,254	(1)	11,536	192	(34)	29,453	4,051	
11 2016	81,500	37,233	44,267	6,229	24	546	4	0	0	4	6,747	2,908	
12 Totals	XXX	XXX	XXX	608,957	93,430	65,146	10,949	239,434	3,072	6,949	806,086	XXX	

	13	14	15	16	17	18	19	20	21	22	23	24	25
	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting & Other Unpaid		Salvage and Subrogation Anticipated	Total Net Losses and Expenses Unpaid	Number of Claims Outstanding Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		Direct and Assumed	Ceded			
	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded					
1 Prior	646,927	679,687	252,710	253,070	623	1,058	36,144	35,994					
2 2007	11,851	1,696	3,877	3,877	0	0	442	442	192	146	0	10,200	81
3 2008	11,329	2,585	12,688	6,908	(34)	0	357	774	(315)	327	0	13,432	125
4 2009	4,573	972	8,003	8,003	0	0	896	896	184	310	0	3,476	108
5 2010	9,944	2,394	12,386	12,386	0	0	1,396	1,396	594	498	0	7,647	181
6 2011	19,313	2,532	14,379	14,362	0	0	1,728	1,719	691	664	0	16,835	276
7 2012	11,015	1,843	23,701	23,701	0	0	2,642	2,642	643	929	0	8,886	290
8 2013	10,928	2,225	(586)	(20,425)	0	0	(43)	(11,350)	4,735	721	916	43,863	421
9 2014	7,992	1,397	23,079	8,178	0	0	1,732	(6,760)	4,556	735	1,078	33,810	392
10 2015	12,018	(815)	(2,260)	(25,768)	0	0	589	(12,816)	(9,153)	895	1,468	39,698	599
11 2016	13,484	79	27,590	(810)	0	0	2,876	(90)	5,279	0	1,590	50,050	1,008
12 Totals	759,374	694,594	375,568	283,483	589	1,058	48,759	12,846	17,316	14,000	5,051	195,626	9,002

	26	27	28	29	30	31	32	33	34	35	36
	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
	Direct and Assumed	Ceded	Net	Direct and Assumed	Ceded	Net	Loss	Loss Expenses		Losses Unpaid	Loss Expenses Unpaid
1 Prior	XXX	XXX	XXX	XXX	XXX	XXX	0	0	XXX	(33,120)	851
2 2007	154,018	8,827	145,191	85.5	1039.7	81.0	0	0	100.0	10,154	46
3 2008	141,629	12,885	128,744	101.0	1620.7	92.3	0	0	100.0	14,525	(1,092)
4 2009	133,176	11,983	121,193	110.4	1872.4	101.0	0	0	100.0	3,601	(126)
5 2010	124,613	19,405	105,209	98.0	2266.9	83.3	0	0	100.0	7,551	96
6 2011	151,493	27,194	124,300	108.7	3349.0	89.8	0	0	100.0	16,798	37
7 2012	130,702	59,529	71,173	93.5	10389.0	51.1	0	0	100.0	9,173	(287)
8 2013	89,427	(30,361)	119,788	76.3	(46001.3)	102.3	0	0	100.0	28,542	15,320
9 2014	89,516	1,858	87,658	93.9	(185758.8)	92.0	0	0	100.0	21,496	12,314
10 2015	30,657	(38,494)	69,151	36.2	(3.5)	(6.8)	0	0	100.0	36,342	3,356
11 2016	56,004	(793)	56,797	68.7	(2.1)	128.3	0	0	100.0	41,804	8,245
12 Totals	XXX	XXX	XXX	XXX	XXX	XXX	0	0	XXX	156,866	38,760

SCHEDULE P - PART 2 - Workers' Compensation

Years in Which Losses Were Incurred	1	2	3	4	5	6	7	8	9	10	11 12	
	INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										DEVELOPMENT	
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	One Year	Two Year
1 Prior	1,363,472	1,464,398	1,469,018	1,506,222	1,705,343	1,774,182	1,772,283	1,813,625	1,393,292	779,869	(613,423)	(1,033,756)
2 2007	96,498	98,577	98,810	115,352	107,525	117,505	118,394	117,295	107,759	96,490	(11,269)	(20,805)
3 2008	XXX	92,774	85,884	87,822	83,678	90,600	89,155	88,497	96,718	86,286	(10,432)	(2,211)
4 2009	XXX	XXX	72,007	83,965	77,066	87,258	89,632	90,983	91,622	77,877	(13,745)	(13,106)
5 2010	XXX	XXX	XXX	91,281	86,700	99,699	115,477	112,953	113,569	93,984	(19,585)	(18,969)
6 2011	XXX	XXX	XXX	XXX	116,821	119,114	143,200	135,068	136,858	109,898	(26,960)	(25,170)
7 2012	XXX	XXX	XXX	XXX	XXX	104,076	110,637	115,235	(504,584)	58,031	562,615	(57,204)
8 2013	XXX	XXX	XXX	XXX	XXX	XXX	75,542	85,604	92,304	90,977	(1,327)	5,373
9 2014	XXX	XXX	XXX	XXX	XXX	XXX	XXX	62,935	68,190	57,715	(10,475)	(5,220)
10 2015	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	44,320	67,856	23,536	XXX
11 2016	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	51,517	XXX	XXX
12 Total											(121,067)	(1,171,069)

SCHEDULE P INTERROGATORIES

1. The following questions relate to yet-to-be-issued Extended Reporting Endorsements (EREs) arising from Death, Disability, or Retirement (DDR) provisions in Medical Professional Liability Claims Made insurance policies. EREs provided for reasons other than DDR are not to be included.
 - 1.1 Does the company issue Medical Professional Liability Claims Made insurance policies that provide tail (also known as an extended reporting endorsement, or "ERE") benefits in the event of Death, Disability, or Retirement (DDR) at a reduced charge or at no additional cost? Yes No X]
If the answer to question 1.1 is "no", leave the following questions blank. If the answer to question 1.1 is "yes", please answer the following questions:
 - 1.2 What is the total amount of the reserve for that provision (DDR Reserve), as reported, explicitly or not, elsewhere in this statement (in dollars)?\$0
 - 1.3 Does the company report any DDR reserve as Unearned Premium Reserve per SSAP #65? Yes No X]
 - 1.4 Does the company report any DDR reserve as loss or loss adjustment expense reserve? Yes No X]
 - 1.5 If the company reports DDR reserve as Unearned Premium Reserve, does that amount match the figure on the Underwriting and Investment Exhibit, Part 1A – Recapitulation of all Premiums (Page 7) Column 2, Lines 11.1 plus 11.2? Yes No N/A X]
 - 1.6 If the company reports DDR reserve as loss or loss adjustment expense reserve, please complete the following table corresponding to where these reserves are reported in Schedule P:

Years in Which Premiums Were Earned and Losses Were Incurred	DDR Reserve Included in Schedule P, Part 1F, Medical Professional Liability Column 24: Total Net Losses and Expenses Unpaid	
	1	2
	Section 1: Occurrence	Section 2: Claims-Made
1.601 Prior	0	0
1.602 2007	0	0
1.603 2008	0	0
1.604 2009	0	0
1.605 2010	0	0
1.606 2011	0	0
1.607 2012	0	0
1.608 2013	0	0
1.609 2014	0	0
1.610 2015	0	0
1.611 2016	0	0
1.612 Totals	0	0

2. The definition of allocated loss adjustment expenses (ALAE) and, therefore, unallocated loss adjustment expenses (ULAE) was changed effective January 1, 1998. This change in definition applies to both paid and unpaid expenses. Are these expenses (now reported as "Defense and Cost Containment" and "Adjusting and Other") reported in compliance with these definitions in this statement? Yes X] No]
3. The Adjusting and Other expense payments and reserves should be allocated to the years in which the losses were incurred based on the number of claims reported, closed and outstanding in those years. When allocating Adjusting and Other expense between companies in a group or a pool, the Adjusting and Other expense should be allocated in the same percentage used for the loss amounts and the claim counts. For reinsurers, Adjusting and Other expense assumed should be reported according to the reinsurance contract. For Adjusting and Other expense incurred by reinsurers, or in those situations where suitable claim count information is not available, Adjusting and Other expense should be allocated by a reasonable method determined by the company and described in Interrogatory 7, below. Are they so reported in this Statement? Yes X] No]
4. Do any lines in Schedule P include reserves that are reported gross of any discount to present value of future payments, and that are reported net of such discounts on Page 10? Yes] No X]

If yes, proper disclosure must be made in the Notes to Financial Statements, as specified in the Instructions. Also, the discounts must be reported in Schedule P - Part 1, Columns 32 and 33. Schedule P must be completed gross of non-tabular discounting. Work papers relating to discount calculations must be available for examination upon request.
Discounting is allowed only if expressly permitted by the state insurance department to which this Annual Statement is being filed.
5. What were the net premiums in force at the end of the year for:
(in thousands of dollars)

5.1 Fidelity	0
5.2 Surety	0
6. Claim count information is reported per claim or per claimant (Indicate which)per claim
If not the same in all years, explain in Interrogatory 7.
- 7.1 The information provided in Schedule P will be used by many persons to estimate the adequacy of the current loss and expense reserves, among other things. Are there any especially significant events, coverage, retention or accounting changes that have occurred that must be considered when making such analyses? Yes X] No]

ANNUAL STATEMENT FOR THE YEAR 2016 OF THE Allianz Global Risks US Insurance Company

7.2 (An extended statement may be attached.)

(a) In 2014, the Intercompany Pooling Agreement was amended such that AGRUS retains 100% of the pooled results and AMIC and AUC receive 0% of the pooled results. This change affected the reserves as of January 1, 2014 and all results thereafter. Schedule P was revised according to NAIC guidance such that all Schedule P history was restated based upon the new pooling percentages following the change (Note 26).

(b) Quota share treaties with corporate affiliates were commuted in 2010 and 2012. See 2010 and 2012 Annual Statements, Note 23.

(c) The allocation of A&O expense payments and reserves to accident year is based on calendar year paid losses and ending case reserves which have been adjusted for unusual movements. We believe that this provides a measure reasonably consistent with expected claim counts.

(d) In 2015 FFIC entered into 2 loss portfolio transfers. Personal lines business was 100% ceded to ACE, an unaffiliated reinsurer. Worker's Compensation business with accident years 2012 and prior, Construction Defect risks with accident years 2014 and prior, and Asbestos and Environmental risks were 100% ceded to SF Reinsurance, an affiliated company.

(e) In 2016, AGRUS entered into loss portfolio transfers, in which loss and LAE reserves for certain primary and excess liability reserves were 100% ceded to SF Reinsurance, an affiliated company.

(f) In 2016, FFIC entered into a loss portfolio transfer, in which loss and LAE reserves on the professional liability healthcare business with accident years 2015 and prior were 100% ceded to SF Reinsurance, an affiliated company.

(g) In 2016, a new intercompany pooling agreement was entered into with FFIC such that AGRUS retains 100% of the pooled results and FFIC received 0% of the pooled results. This change affected the reserves as of January 1, 2016 and all results thereafter. Schedule P was revised according to NAIC guidance such that all Schedule P history was restated based upon the new pooling percentages following the change (Note 26).

ANNUAL STATEMENT FOR THE YEAR December 31, 2014 OF THE Government Employees Ins Co. (NAIC #22063)

SCHEDULE P - PART 1 - Private Passenger Auto Liability

(\$'000 Omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	1	2	3	4	5	6	7	8	9	10	11	12	
	Premiums Earned			Loss and Loss Expense Payments									Number of Claims Reported Direct and Assumed
	Direct and Assumed	Ceded	Net (Cols. 1-2)	Defense and Cost Containment Payments			Adjusting and Other Payments			Salvage and Subrogation Received	Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)		
				Loss Payments		Direct and Assumed	Ceded	Direct and Assumed	Ceded			Direct and Assumed	
Direct and Assumed				Ceded									
1 Prior	XXX	XXX	XXX	6,801	4,168	1,156	578	426	213	268	3,424	XXX	
2 2005	4,413,391	51,549	4,361,842	2,694,546	26,169	133,676	1,018	329,428	397	56,384	3,130,066	774,022	
3 2006	4,759,059	35,763	4,723,296	2,981,984	14,433	154,847	1,974	353,659	659	65,744	3,473,423	839,849	
4 2007	5,006,304	36,903	4,969,401	3,271,743	10,818	180,497	2,249	380,206	1,187	72,693	3,818,193	913,990	
5 2008	5,163,686	69,727	5,093,959	3,351,743	22,260	189,317	3,629	380,529	2,254	70,741	3,893,446	909,611	
6 2009	5,552,631	154,606	5,398,025	3,750,156	52,206	212,681	8,540	397,905	4,240	76,217	4,295,756	1,008,431	
7 2010	5,938,546	315,049	5,623,498	4,061,145	112,545	210,709	18,930	468,173	7,623	92,678	4,600,929	1,085,323	
8 2011	6,433,627	538,357	5,895,270	4,284,153	191,056	177,812	30,146	513,627	13,442	92,653	4,740,948	1,155,621	
9 2012	6,905,908	896,581	6,009,327	4,042,541	318,667	121,700	33,509	498,614	26,595	81,028	4,284,085	1,169,921	
10 2013	7,156,036	2,700,656	4,455,380	3,582,867	741,705	68,439	25,836	554,349	122,202	56,598	3,315,911	1,156,944	
11 2014	7,353,036	2,815,450	4,537,586	2,267,067	1,142,524	18,430	9,242	185,042	92,521	20,910	1,226,253	1,119,353	
12 Totals	XXX	XXX	XXX	34,294,746	2,636,550	1,469,265	135,651	4,061,956	271,333	685,917	36,782,434	XXX	

	13	14	15	16	17	18	19	20	21	22	23	24	25
	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting & Other Unpaid		Salvage and Subrogation Anticipated	Total Net Losses and Expenses Unpaid	Number of Claims Outstanding Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		Direct and Assumed	Ceded			
	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded					
1 Prior	32,282	24,236	162,184	117,651	2,160	1,597	10,952	7,764					
2 2005	6,093	3,047	414	207	516	258	639	319	1,212	606	0	4,436	1,021
3 2006	10,979	5,490	4,400	2,200	917	458	1,237	618	1,925	962	0	9,729	1,521
4 2007	17,279	8,640	2,973	1,487	1,455	727	2,760	1,380	2,836	1,418	0	13,652	2,001
5 2008	37,981	18,990	2,697	1,349	3,241	1,621	4,527	2,263	5,454	2,727	0	26,950	3,900
6 2009	81,064	40,536	7,383	3,693	6,907	3,453	8,651	4,326	10,758	5,379	0	57,375	6,811
7 2010	177,952	89,026	10,220	5,114	15,767	7,888	15,775	7,891	20,048	10,024	0	119,818	10,629
8 2011	345,748	173,078	40,715	20,379	31,922	15,981	32,267	16,151	40,114	20,057	0	245,119	16,246
9 2012	629,594	315,967	99,521	49,861	59,143	29,682	61,459	30,804	76,018	38,009	0	461,414	26,318
10 2013	1,095,688	550,760	281,806	141,374	103,165	51,852	106,236	53,370	153,825	76,913	0	866,450	47,973
11 2014	2,306,610	1,157,950	565,589	284,362	188,522	94,636	152,150	76,549	523,778	261,889	0	1,861,263	346,286
12 Totals	4,741,270	2,387,720	1,177,904	627,677	413,714	208,154	396,652	201,435	837,628	418,814	0	3,723,368	463,483

	26	27	28	29	30	31	32	33	34	35	36
	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		Inter-Company Participation Percentage	Net Balance Sheet Reserves After Discount	
	Direct and Assumed	Ceded	Net	Direct and Assumed	Ceded	Net	Loss	Loss Expenses		Losses Unpaid	Loss Expenses Unpaid
1 Prior	XXX	XXX	XXX	XXX	XXX	XXX	0	0	XXX	52,580	4,581
2 2005	3,166,523	32,020	3,134,503	71.7	62.1	71.9	0	0	0.0	3,253	1,183
3 2006	3,509,946	26,794	3,483,152	73.8	74.9	73.7	0	0	0.0	7,690	2,039
4 2007	3,859,750	27,906	3,831,845	77.1	75.6	77.1	0	0	0.0	10,126	3,525
5 2008	3,975,489	55,093	3,920,396	77.0	79.0	77.0	0	0	0.0	20,339	6,611
6 2009	4,475,505	122,374	4,353,131	80.6	79.2	80.6	0	0	0.0	44,218	13,157
7 2010	4,979,789	259,041	4,720,748	83.9	82.2	83.9	0	0	0.0	94,032	25,786
8 2011	5,466,358	480,291	4,986,067	85.0	89.2	84.6	0	0	0.0	193,005	52,113
9 2012	5,588,592	843,093	4,745,499	80.9	94.0	79.0	0	0	0.0	363,288	98,126
10 2013	5,946,375	1,764,013	4,182,361	83.1	65.3	93.9	0	0	0.0	685,360	181,090
11 2014	6,207,188	3,119,673	3,087,515	84.4	110.8	68.0	0	0	0.0	1,429,886	431,377
12 Totals	XXX	XXX	XXX	XXX	XXX	XXX	0	0	XXX	2,903,778	819,590

ANNUAL STATEMENT FOR THE YEAR December 31, 2014 OF THE Government Employees Ins Co. (NAIC #22063)

SCHEDULE P - PART 2 - Private Passenger Auto Liability

Years in Which Losses Were Incurred	1	2	3	4	5	6	7	8	9	10	11	12
	INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										DEVELOPMENT	
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	One Year	Two Year
1 Prior	1,658,527	1,548,990	1,527,340	1,484,273	1,465,990	1,466,584	1,391,681	1,389,176	1,376,838	1,315,566	(61,272)	(73,610)
2 2005	3,112,946	2,925,892	2,866,433	2,847,546	2,828,882	2,829,485	2,813,509	2,810,988	2,809,954	2,804,866	(5,088)	(6,121)
3 2006	XXX	3,363,214	3,204,427	3,188,870	3,186,093	3,166,048	3,142,109	3,136,646	3,136,598	3,129,190	(7,408)	(7,456)
4 2007	XXX	XXX	3,603,759	3,558,334	3,537,939	3,511,675	3,481,734	3,473,536	3,472,147	3,451,407	(20,740)	(22,129)
5 2008	XXX	XXX	XXX	3,809,222	3,696,632	3,658,872	3,639,131	3,604,863	3,589,746	3,539,395	(50,351)	(65,468)
6 2009	XXX	XXX	XXX	XXX	4,326,922	4,146,370	4,135,650	4,088,760	4,058,439	3,954,088	(104,351)	(134,672)
7 2010	XXX	XXX	XXX	XXX	XXX	4,612,803	4,564,959	4,499,672	4,491,672	4,250,173	(241,499)	(249,499)
8 2011	XXX	XXX	XXX	XXX	XXX	XXX	5,076,898	4,913,166	4,898,511	4,465,824	(432,687)	(447,342)
9 2012	XXX	XXX	XXX	XXX	XXX	XXX	XXX	5,068,519	4,988,762	4,235,471	(753,291)	(833,048)
10 2013	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	5,266,416	3,673,302	(1,593,114)	XXX
11 2014	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	2,733,105	XXX	XXX
12 Total											(3,269,802)	(1,839,345)

Common Stock	11,726,149,287	11,726,149,287	11,704,417,287	-	1,921,732,000	-
Preferred stocks	1,549,800,000	1,512,000,000	-	-	1,549,800,000	-
Cash equivalents	509,986,400	509,983,653	-	509,986,400	-	-
Short-term investments	6,074,494,136	6,074,494,644	20,001,266	6,054,493,300	-	-
Other invested assets	132,254,334	87,177,926	-	-	132,254,334	-
Total	\$ 18,442,972,827	\$ 23,409,939,970	\$ 11,824,419,646	\$ 8,213,932,281	\$ 3,469,836,334	\$ -

21. OTHER ITEMS

- A. Extraordinary Items
Not Applicable
- B. Troubled Debt Restructuring: Debtors
Not Applicable
- C. Other Disclosures

The Company entered into a Loss Portfolio Agreement of Reinsurance effective January 1, 2014 with its indirect parent, National Indemnity Company (NICO). Under this agreement, NICO assumed 50% of the Company's outstanding net loss and loss adjustment expense reserves at January 1, 2014. The Company also entered into a Quota Share Agreement of Reinsurance effective January 1, 2014 with NICO. Under this agreement NICO assumed 50% of unearned premium reserves of the Company as of January 1, 2014.

The consideration of \$5,244,199,057 was paid on February 14, 2014.

The consideration paid under the two reinsurance agreements was accounted for as ceded earned premium. This accounting was based on the NAIC's Statement of Statutory Accounting Principles No. 62R Paragraph 26. This agreement is not considered retroactive reinsurance consistent with Statement of Statutory Accounting Principles No. 62R Paragraph 31(d), which states that accounting principles for retroactive reinsurance shall not apply to "... intercompany reinsurance agreements, and any amendments thereto, among companies 100% owned by a common or ultimate controlling person provided there is no gain in surplus as a result of the transaction." The ceded earned premium under the portfolio agreement was allocated to accident year based on the distribution of the loss and LAE reserves as of December 31, 2013. The ceded earned premium under the quota share agreement was allocated entirely to the 2013 accident year.

Under the Quota Share Agreement of Reinsurance, NICO assumes 50% of all premiums written net of general expenses on all business written on and after January 1, 2014. NICO also assumes 50% of all losses and loss adjustment expenses incurred on and after January 1, 2014. The outstanding reinsurance recoverable for paid claims was \$1,191,490,837 and the ceded premiums payable was \$1,293,300,154 as of December 31, 2014. These balances were settled on February 13, 2015. Settlement terms of the reinsurance agreement are 45 days after the quarter ends.

Net realized capital gains in 2014 and 2013 include impairment losses for securities that were determined to be other than temporarily impaired of \$243,983,453 and \$59,660,241, respectively.