

SCHEDULE Q WORKSHEETS

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TOTAL SELLING EXPENSE WORKSHEET

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A. Compensation to Agents, Brokers and General Agents

Individual Life Insurance

<u>Item</u>	<u>Source</u>	<u>Amount</u>	<u>Total</u>
1.	Premium-Based First Year Commissions total: AS, Exh 1 Pt 2, Col 3/ Line 27 less: fund-based compensation premium-based first yr. commissions	(1) _____	
2.	Premium-Based Renewal Commissions total: AS, Exh 1 Pt 2, Col 3/ Line 29 less: fund-based compensation premium-based renewal commissions	(2) _____	
3.	Single Premium Commissions total: AS, Exh 1 Pt 2, Col 3/ Line 28 less: fund-based compensation premium-based renewal commissions	(3) _____	
4.	Compensation not in lines 1, 2 and 3 above: salary and incentive compensation to agents and brokers overrides to general agents other total	(4) _____	
5.	Fund-based Compensation (from above)	(5) _____	

Annuities

6.	Consideration-Based First Year Commissions total: AS, Exh 1 Pt 2, Col 4/ Line 27 less: fund-based compensation consideration-based first year commissions	(6) _____	
7.	Consideration-Based Renewal Commissions total: AS, Exh 1 Pt 2, Col 4/ Line 29 less: fund-based compensation consideration based renewal considerations	(7) _____	
8.	Single Consideration Commissions total: AS, Exh 1 Pt 2, Col 4/ Line 28 less: fund-based compensation consideration based renewal considerations	(8) _____	
9.	Compensation not in lines 6, 7 and 8 above: salary and incentive compensation to agents and brokers overrides to general agents other total	(9) _____	
10.	Fund-Based Compensation (from above)	(10) _____	

Commissions: Sum : items 1 + 2 + 3 + 6 + 7 + 8 (to Report Line 1)

Other Compensation: Sum: items 4+9 (include in Report Line 7)

Fund-based Compensation: Sum: items 5 + 10 (include in Report Line 7)

TOTAL SELLING EXPENSE WORKSHEET *continued*

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B. Net Advances, Net Loans and Loan Interest Subsidies to Agents

Alternate Method A

<u>Item</u>	<u>Source</u>	<u>Amount</u>	<u>Total</u>
1. Advances made in year			
2. Loan Principal provided in year			
3. Loan Interest subsidies provided in year			
4. Advances repaid in year			
5. Loan Principal repaid in year			
6. Net Advances/Loans and Loan Interest Subsidies: 1+2+3 - 4 - 5			
			(to report, Line 2)

TOTAL SELLING EXPENSE LIMIT WORKSHEET

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EXPENSE LIMITS

	<u>Amount</u>	<u>Factor</u>	<u>Limit</u>
1. Life Insurance: Qualifying First Year Premiums. source: items [B.1 + B.2 + G.1 + G.2 + L.1 + L.2] of the Premium/Consideration worksheet Note: <i>Factor</i> for item 1 is derived in Adjustments Worksheet		(see Note)	To Report, Line 9
2. Life Insurance: Excess Premiums. source: item [C.1 + C.2 + H.1 + H.2] of the Premium/Consideration worksheet		0.050	To Report, Line 10
3. Annuities and Supplementary Contracts: All Considerations source: item Z, Premium/Consideration Worksheet B Note: The Limit <i>amount</i> as calculated here is adjusted in the Report, Line 12, for any reduction amount from the Adjustments worksheet.		0.050 (see Note)	To Report, Line 11
4. Life Insurance: Amount of New Insurance (<u>in thousands</u>) source: AS page 25-Exh of Life Ins-col. 4, lines 2+4+5		1.00	To Report, Line 13
5. Life Insurance: Number of New Policies and Contracts Life: AS pg. 25-Exh of Life Ins.--col. 3, lines 2+4+5 Annuities: AS pg. 27-Exh. of No. of Pols.,etc. Annuities columns(1+2), line 2 Supplementary Contracts: AS pg. 27-Exh of No. of Pols., etc.-Suppl. Contracts columns(1+2), line 2 Total		70.00	To Report, Line 14
6. Life Insurance: Renewal Premiums source: items [M.1 + M.2], Premium/Consideration Worksheet A Note: <i>Factor</i> for item 6 is derived in Adjustments Worksheet.		(see Note)	To Report, Line 15

TOTAL SELLING EXPENSE LIMIT WORKSHEET CONTINUED

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EXPENSE LIMITS

				<u>Limit</u>
7.	Life Insurance: In Force--Year End (<u>in thousands</u>) source: AS page 25-Exh of Life Ins-col 4, line 21.	Amt. of In Force <u>in \$ thousands</u>	<u>factor</u> 0.150 =	_____
				To Report, Line 16
8.	Life Insurance: In Force--Year End source: AS, page 25. Exh of Life Ins, column 4, line 21	Amt. of In Force <u>in \$ thousands</u>	<u>factor</u>	
	\$1.00 per \$1,000 of the first one billion, or part thereof:	_____	1.00 = _____	
	\$0.50 per \$1,000 of the next one billion, or part thereof:	_____	0.50 = _____	
			Total	_____
				To Report, Line 17(c)
9.	Annuities: Amount of Reserve--Year End source: AS, Exhibit 5, lines 0299997 and 0399997, col 4, and AS, Exhibit 7, column 1, line 14 050% of the first \$1billion, or part thereof .025% of the next \$1billion, or part thereof	<u>Amt. of Reserve</u>	<u>factor</u> 0.00050 = _____ 0.00025 = _____	
			Total	_____
				To Report, Line 18 (c)
10.	Agents who are qualified to receive a training allowance Subsidy under the terms of Section 4228 (e) (3):	Number <u>of agents</u>	<u>factor</u>	
	(a) Appointed during year.	_____	X \$ 30,000 = \$ _____	
	(b) Appointed during the calendar year prior to the current year and still employed on January 1 of current year.	_____	X \$ 20,000 = \$ _____	
	(c) Appointed during the calendar year two prior to the current year and still employed on January 1 of current year.	_____	X \$ 10,000 = \$ _____	
	(d) Total: (a) + (b) + (c)			_____
				To Report, Line 19 (d)
11.	Excess of Total Selling Expense Limit over Total Selling Expenses <u>For the report year prior to the current year, the lesser of A. and B.:</u>			
	Total Selling Expense Limit (Line 22)	_____		
	Total Selling Expense (Line 8)	_____		
	A. (Line 22) – (Line 8)			_____
	Selling Expense Limit Excess, excluding Line 21 (Line 22) – (Line 21)	_____		
	B. 5% of (Line 22 – Line 21)			_____
			Lesser of A. and B.	_____
				To Report, Line 21

Premium/Consideration Worksheet

This sheet is designed to (1) record the bases for premium-related allowances in Schedule Q, and (2) **present, for comparison only**, (a) premiums in the Annual Statement and (b) premiums used in Schedule Q. It is not intended that the two categories, (a) and (b), be reconciled and it is not for submission. It must be retained by the Company for six years.

A. INDIVIDUAL LIFE INSURANCE

	Annual Statement <u>Total</u>	Schedule Q Premium Category Qualifying First Year <u>(QFY)</u>	<u>Excess</u>	<u>Renewal</u>
Definition :	19	10	21	
For all premium categories, see definition of 'Recorded' (Definition 22)				
<u>Annual Statement Category:</u>				
FIRST YEAR PREMIUM				
1. Total: Amount Recorded in Annual Statement Exhibit 1-Part 1: Line 9.1, Col. 3	<u>A.1</u>	<u>B.1</u>	<u>C.1</u>	<u>XXX</u>
2. Total: Amount Recorded in Annual Statement but not in Exhibit 1-Part 1 (if any)	<u>A.2</u>	<u>B.2</u>	<u>C.2</u>	<u>XXX</u>
Total, B.1+B.2 = Qualifying First Year	<u>D</u> (Use in Total Selling Expense Limit Worksheet, Item1)			
Total, C.1+C.2 = Excess	<u>E</u> (Use in Total Selling Expense Limit Worksheet, Item 2)			
Note: Item A.1 must agree with Exhibit 1- Part 1: Line 9a, Col. 3				

Annual Statement Category:

SINGLE PREMIUM,

excluding Dividend Additions

1. Total: Amount Recorded in Annual Statement Exhibit 1-Part 1: Line 10.1, Col. 3	<u>F.1</u>	<u>G.1</u>	<u>H.1</u>	<u>XXX</u>
2. Total: Amount Recorded in Annual Statement but not in Exhibit 1-Part 1 (if any)	<u>F.2</u>	<u>G.2</u>	<u>H.2</u>	<u>XXX</u>
Total, G.1+G.2 =Qualifying First Year	<u>I</u> (Use in Total Selling Expense Limit Worksheet, Item1)			
Total, H.1+H.2 = Excess	<u>J</u> (Use in Total Selling Expense Limit Worksheet, Item 2)			
Note: Item F.1 must agree with Exhibit 1- Part 1: Line 10a, Col. 3				

Annual Statement Category:

RENEWAL PREMIUM,

excluding Dividend Additions

1. Total: Amount Recorded in Annual Statement Exhibit 1-Part 1: Line 19.1, Col. 3	<u>K.1</u>	<u>L.1</u>	<u>XXX</u>	<u>M.1</u>
2. Total: Amount Recorded in Annual Statement but not in Exhibit 1-Part 1 (if any)	<u>K.2</u>	<u>L.2</u>	<u>XXX</u>	<u>M.2</u>
Total, L.1+L.2 = Qualifying First Year	<u>N</u> (Use in Total Selling Expense Limit Worksheet, Item1)			
Total, M.1+M.2 = Renewal	<u>P</u> (Use in Total Selling Expense Limit Worksheet, Item 7)			
Note: Item K.1 must agree with Exhibit 1- Part 1: Line 19a, Col. 3				

Premium/Consideration Worksheet Continued

This sheet is designed to (1) establish the bases for consideration-related allowances in Schedule Q, and (2) reconcile considerations in the Annual Statement (Exhibit 1 and Analysis of Operations Line 1A) with considerations used in Schedule Q. It is not for submission. It must be retained by the Company for six years.

B. INDIVIDUAL ANNUITIES and SUPPLEMENTARY CONTRACTS

Schedule Q		Amount of Considerations			
<u>Consideration Category</u>	<u>Reference</u>	<u>First Year</u> (Item) (Entry)	<u>Single</u> (Item) (Entry)	<u>Renewal</u> (Item) (Entry)	<u>Total</u> (Item) (Entry)
For all Premium and Consideration categories, see definition of 'Recorded' (definition 22)					
<u>Considerations recorded in:</u>					
Exhibit 1, Part 1	periodic: definition 17				
	single: definition 25	Q _____	R _____	S _____	T _____
Not in Annual Statement	periodic: definition 17				
	single: definition 25				U _____
Other areas of the Annual Statement	periodic: definition 17				
	single: definition 25	V _____	W _____	X _____	Y _____
Total: T + U + Y					Z _____

Note: item Q: Source of entry: **Annuities:**

Amount recorded in Annual Statement, Exhibit 1-Part 1: Line 9.1, Column 4.

item R: Source of entry: **Annuities:**

Amount recorded in Annual Statement, Exhibit 1-Part 1: Line 10.1, Column 4, excluding Dividend Additions.

item S: Source of entry: **Annuities:**

Amount recorded in Annual Statement, Exhibit 1-Part 1: Line 19.1, Column 4.

item U: Source of entry: :Not in Annual Statement

items V, W, X: Source: **Annuities and Supplementary Contracts:**

The items provide for the inclusion of amounts recorded in the Annual Statement but in places other than Exhibit 1-Part 1 or the Analysis of Operations.

item Z: Source of entry: sum of T + U + Y

Destination: Total Selling Expense Limit Worksheet, Item 4

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[illegible]

WORKSHEET FOR: ADJUSTMENTS TO FIRST YEAR AND RENEWAL ALLOWANCES

PART II CALCULATION OF ADJUSTMENTS

§ 4228 (c)(4)(K)(i)
INDIVIDUAL LIFE INSURANCE:
EXCESS RENEWAL COMMISSIONS

YEAR OF SALE: CURRENT YEAR _____

Product	Amount of Qualifying First Year Premium	PY: 2→x	Renewal Scale For Policy Years 2 – 11 <u>(x+1)→y</u>	<u>(y+1)→z</u>	<u>(z+1)→11</u>	(EC) Renewal Excess Commission <u>(A)</u> (see Note below)	Pct. Of Sales <u>(B)</u>	Average Renewal Excess <u>(A) x (B)</u>
a.								
b.								
c.								
d.								
Total QFYP: _____						(express as %)	100%	Σ = _____ % (express as %)

11

Note: For product n, $EC_n = [1/10 \sum_{t=2}^{11} C_t] - 12\%$

CALCULATION OF FACTORS

I. **Reduction** in First Year Factor: 3 x (Average Renewal Excess): _____ (to **Reduction**, page 11)

II. **Addition** to Renewal Factor:

Total QFYP (A) _____

Total Renewal Premiums (B) _____

Addition: $[\frac{(A)}{(A)+(B)}] \times (\text{Average Renewal Excess}) = \text{_____}$ (to **Increment**, page 11)

WORKSHEET FOR:
ADJUSTMENTS TO FIRST YEAR AND RENEWAL
ALLOWANCES

PART II
CALCULATION OF ADJUSTMENTS

§ 4228 (c)(4)(K)(ii)
INDIVIDUAL LIFE INSURANCE:
REPLACEMENT OF COMMISSIONS AS A PERCENT OF PREMIUMS
WITH COMPENSATION AS A PERCENT OF FUNDS

WORKSHEET FOR:
ADJUSTMENTS TO FIRST YEAR AND RENEWAL
ALLOWANCES

PART II
CALCULATION OF ADJUSTMENTS

§ 4228 (c)(4)(K)(iii)
INDIVIDUAL ANNUITIES:

CALCULATION OF ADJUSTING AMOUNTS FOR LIMIT DEFINED IN § 4228 (c)(4)(B) ADJUSTING AMOUNTS ARE:

- a. AMOUNT OF REDUCTION: BASED ON CONSIDERATIONS; REDUCTION MADE TO LINE 11.
- b. AMOUNT OF INCREMENT: BASED ON RESERVES; INCREMENT REPORTED ON LINE 20

Part 1. Data and Calculation of AFBC and Reduction Factor

Product	Considerations	Fund-Based Commission (FBC) Scale (%) contract years			FBC Rate	Considerations as Percent of Total	Weighted FBC Rate (AFBC)
		$1 \rightarrow x$	$(x+1) \rightarrow y$	$(y+1) \rightarrow 20$			
						100.0%	<div> <div>.....</div> <div>sum of rates</div> <div>_____ = AFBC rate ①</div> </div> <div> <div>.....</div> <div>reduction factor _____</div> <div>= $3 \frac{1}{3} \times$ ①</div> </div>

Part 2. Adjusting Amounts

a. Amount of Reduction to Schedule Q Report Line 11

Amount = Total Considerations x Reduction Factor

b. Amount of Increment to Schedule Q Report Line 20

- 20XX Factor, $FBF_{\text{current}} = \frac{(\text{Reserves prior})}{(\text{Reserves prior} + \text{Considerations current})} \times (FBF_{\text{prior}}) + \frac{\text{Considerations current}}{(\text{Reserves prior} + \text{Considerations current})}$
- Amount** = Reserves current x FBF_{current}

WORKSHEET FOR:
ADJUSTMENTS TO FIRST YEAR AND RENEWAL
ALLOWANCES

PART III
SUMMARY OF ADJUSTMENTS

SUMMARY:

Part I: ADJUSTED FIRST YEAR AND RENEWAL FACTORS

ADJUSTMENTS
TO FIRST YEAR FACTOR

BASIC: (a) 55%

Reduction (b) ____

from I., PAGE 8

ADJUSTED First Year factor: (a)-(b)
(for Selling Expense Limit worksheet, item 1)

ADJUSTMENTS
TO RENEWAL FACTOR F)

BASIC: (a) 12%

Increment (b) ____

from II., PAGE 8

ADJUSTED Renewal factor: (a)+(b)
(for Selling Expense Limit worksheet, item 6)

**Part II: ADJUSTMENTS TO SCHEDULE Q REPORT LIMIT FOR
COMPENSATION BASED ON ANNUITY FUNDS**

THESE AMOUNTS ARE ADJUSTMENTS TO THE AMOUNT OF LIMIT DETERMINED BY APPLYING
THE LIMIT FACTOR SPECIFIED IN SUBSECTION (c)(4)(B)--(5%)--TO TOTAL ANNUITY
CONSIDERATIONS

REDUCTION IN AMOUNT OF ALLOWANCE

From Page 10, Part 2 a: _____
(Amount included in Schedule Q Report Line 11)

INCREMENT TO AMOUNT OF ALLOWANCE

From Page 10, Part 2 b: _____
(Amount included in Schedule Q Report Line 20)

**WORKSHEET FOR:
DEVELOPMENT OF BENCHMARK GROSS
LEVEL PREMIUM**

BENCHMARK GROSS LEVEL PREMIUM

Describe below the method or methods used by the Company to establish its Benchmark Gross Level Premium (BGLP). Possible methods include, but are not limited to:

- a) Seriatim: An amount for each life insurance policy, policy by policy, or annuity, contract by contract.
- b) Grouped, by Average Age: An amount determined on the basis of an average age or ages within each plan of insurance. Retain justification of the approximation for future audit.
- c) Grouped by Ratio: An amount determined by applying a ratio to in-force gross premiums grouped by plan and issue age or ages. Retain justification of the approximation for future audit.

Indicate below the methods used, **and maintain documentation of the supporting details, such as any approximations used, other adjustments, and actual BGLP rates.**

<u>Method</u>	<u>How was the Method Applied</u>	<u>Products</u>
Seriatim	<hr/>	<hr/>
Grouped by Average	<hr/>	<hr/>
Grouped by Ratio	<hr/>	<hr/>
Other	<hr/>	<hr/>