

Summary of Operations Impact

ANNUAL STATEMENT FOR THE YEAR 2021 OF THE Polish Falcons of America

SUMMARY OF OPERATIONS

Amended

	1 Current Year
1. Premiums and annuity considerations for life and accident and health contracts (Exhibit 1, Part 1, Line 20.4, Col. 1, less Col. 11)	2,814,699
2. Considerations for supplementary contracts with life contingencies	0
3. Net investment income (Exhibit of Net Investment Income, Line 17)	1,732,923
4. Amortization of Interest Maintenance Reserve (IMR, Line 5)	218,623
5. Separate Accounts net gain from operations excluding unrealized gains or losses	0
6. Commissions and expense allowances on reinsurance ceded (Exhibit 1, Part 2, Line 26.1, Col. 1)	325,750
7. Reserve adjustments on reinsurance ceded	477,845
8. Miscellaneous Income:	
8.1 Income from fees associated with investment management, administration and contract guarantees from Separate Accounts	0
8.2 Charges and fees for deposit-type contracts	0
8.3 Aggregate write-ins for miscellaneous income	196,799
9. Total (Lines 1 to 8.3)	5,766,639

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1. Premiums and annuity considerations for life and accident and health contracts (Exhibit 1, Part 1, Line 20.4, Col. 1, less Col. 11)	2,814,699
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6. Commissions and expense allowances on reinsurance ceded (Exhibit 1, Part 2, Line 26.1, Col. 1)	325,750
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8. Miscellaneous Income:	
8.1 Income from fees associated with investment management, administration and contract guarantees from Separate Accounts	0
8.2 Charges and fees for deposit-type contracts	0
8.3 Aggregate write-ins for miscellaneous income	474,799
9. Total (Lines 1 to 8.3)	6,044,639

Summary of Ops Impact (continued)

Amended

29.	Net gain from operations before dividends to policyholders, refunds to members and federal income taxes (Line 9 minus Line 28)	(14,829)
30.	Dividends to policyholders and refunds to members	1,110
31.	Net gain from operations after dividends to policyholders, refunds to members and before federal income taxes (Line 29 minus Line 30)	(15,939)
32.	Federal and foreign income taxes incurred (excluding tax on capital gains)	0
33.	Net gain from operations after dividends to policyholders, refunds to members and federal income taxes and before realized capital gains or (losses) (Line 31 minus Line 32)	(15,939)
34.	Net realized capital gains (losses) (excluding gains (losses) transferred to the IMR) less capital gains tax of \$ (excluding taxes of \$ 0 transferred to the IMR)	136,240
35.	Net income (Line 33 plus Line 34)	120,301

Original

29.	Net gain from operations before dividends to policyholders, refunds to members and federal income taxes (Line 9 minus Line 28)	263,171
30.	Dividends to policyholders and refunds to members	1,110
31.	Net gain from operations after dividends to policyholders, refunds to members and before federal income taxes (Line 29 minus Line 30)	262,061
32.	Federal and foreign income taxes incurred (excluding tax on capital gains)	0
33.	Net gain from operations after dividends to policyholders, refunds to members and federal income taxes and before realized capital gains or (losses) (Line 31 minus Line 32)	262,061
34.	Net realized capital gains (losses) (excluding gains (losses) transferred to the IMR) less capital gains tax of \$ (excluding taxes of \$ 0 transferred to the IMR)	208,240
35.	Net income (Line 33 plus Line 34)	470,301

Summary of Ops Impact (continued)

Amended

Original

CAPITAL AND SURPLUS ACCOUNT	
36. Capital and surplus, December 31, prior year (Page 3, Line 38, Col. 2)	1,187,338
37. Net income (Line 35)	120,301
38. Change in net unrealized capital gains (losses) less capital gains tax of \$	(33,204)
39. Change in net unrealized foreign exchange capital gain (loss)	
40. Change in net deferred income tax	
41. Change in nonadmitted assets	(102,893)
42. Change in liability for reinsurance in unauthorized and certified companies	
43. Change in reserve on account of change in valuation basis, (increase) or decrease	0
44. Change in asset valuation reserve	3,103
45. Change in treasury stock (Page 3, Lines 36.1 and 36.2, Col. 2 minus Col. 1)	0
46. Surplus (contributed to) withdrawn from Separate Accounts during period	
47. Other changes in surplus in Separate Accounts Statement	
48. Change in surplus notes	
49. Cumulative effect of changes in accounting principles	
50. Capital changes:	
50.1 Paid in	
50.2 Transferred from surplus (Stock Dividend)	
50.3 Transferred to surplus	
51. Surplus adjustment:	
51.1 Paid in	0
51.2 Transferred to capital (Stock Dividend)	
51.3 Transferred from capital	
51.4 Change in surplus as a result of reinsurance	(98,997)
52. Dividends to stockholders	
53. Aggregate write-ins for gains and losses in surplus	350,000
54. Net change in capital and surplus for the year (Lines 37 through 53)	238,310
55. Capital and surplus, December 31, current year (Lines 36 + 54) (Page 3, Line 38)	1,425,648

37. Net income (Line 35)	470,301
38. Change in net unrealized capital gains (losses) less capital gains tax of \$	(33,204)
39. Change in net unrealized foreign exchange capital gain (loss)	
40. Change in net deferred income tax	
41. Change in nonadmitted assets	(102,893)
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51. Surplus adjustment:	
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51.3 Transferred from capital	
51.4 Change in surplus as a result of reinsurance	(98,997)
52. Dividends to stockholders	
53. Aggregate write-ins for gains and losses in surplus	0
54. Net change in capital and surplus for the year (Lines 37 through 53)	238,310
55. Capital and surplus, December 31, current year (Lines 36 + 54) (Page 3, Line 38)	1,425,648

Cash Flow Impact

CASH FLOW

Amended

		1
		Current Year
Cash from Operations		
1. Premiums collected net of reinsurance _____		2,804,383
2. Net investment income _____		1,735,119
3. Miscellaneous income _____		336,169
4. Total (Lines 1 through 3) _____		4,875,671

CASH FLOW

Original

		1
		Current Year
Cash from Operations		
1. Premiums collected net of reinsurance _____		2,804,383
2. Net investment income _____		1,735,119
3. Miscellaneous income _____		264,169
4. Total (Lines 1 through 3) _____		4,803,671

Cash Flow Impact (continued)

Amended

13. Cost of Investments acquired (long-term only):		
13.1 Bonds	4,548,263	
13.2 Stocks	30,249	
13.3 Mortgage loans	0	
13.4 Real estate	72,000	
13.5 Other Invested assets	0	
13.6 Miscellaneous applications	0	
13.7 Total Investments acquired (Lines 13.1 to 13.6)	4,650,512	
14. Net Increase (decrease) in contract loans and premium notes	4,414	
15. Net cash from Investments (Line 12.8 minus Line 13.7 minus Line 14)	(2,137,404)	

Original

13. Cost of Investments acquired (long-term only):		
13.1 Bonds	4,548,263	3,172,942
13.2 Stocks	30,249	70,829
13.3 Mortgage loans	0	0
13.4 Real estate	0	3,772
13.5 Other Invested assets	0	0
13.6 Miscellaneous applications	0	0
13.7 Total Investments acquired (Lines 13.1 to 13.6)	4,578,512	3,247,543
14. Net Increase (decrease) in contract loans and premium notes	4,414	8,522
15. Net cash from Investments (Line 12.8 minus Line 13.7 minus Line 14)	(2,065,404)	(1,260,815)

Remaining Differences

- Previous Items were the core changes made from the reclassifications
- All other ancillary schedules throughout the statement that changed were driven through the core changes, as there are countless cross-references throughout the statement.
- As Earl Lukehart, partner on the audit will mention, these reclassifications had no effect to the overall surplus of PFA reported or the Risked Base Capital (RBC) calculation the State uses to monitor the well-being of insurance companies.
- The main decision-point to move-forward with the refile was the fact that a financial statement reader may misinterpret the core profitability of PFA with the building donation being reported as miscellaneous income.
- Below is the excerpt from SSAP 26-R

2. Real estate investments are defined as directly-owned real estate properties and single real estate property investments that are directly and wholly-owned through a limited liability company (LLC) that meet all of the criteria in paragraph 4. **Real estate investments may be acquired** in exchange for consideration (including but not limited to cash, a contract for deed or mortgage, or other non-cash consideration) obtained through foreclosure or voluntary conveyance in satisfaction of a mortgage loan, **or received as contributed surplus.** Real estate investments meet the definition of assets as defined in *SSAP No. 4—Assets and Nonadmitted Assets* and are admitted assets to the extent they conform to the requirements of this statement.

Added Controls

- PFA moved statutory reporting software from Wings-Statutory Reporting to Gain Compliance
- Wings had next to no assistance in regards to research or opinions on grey area reporting issues.
- Not only is Gain Compliance much more advanced software wise; I have access to a team of compliance specialists that respond promptly.
- Upon completion of reporting files, quarterly and annually, I have a meeting to discuss all areas of the statement and any questions their compliance team may have or address any questions I may have.