SCHEDULE Q

SUPPORTING INSTRUCTIONS

INSTRUCTIONS

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SCHEDULE Q

GENERAL INSTRUCTIONS

1. Section 4228 provides that no company shall pay or incur certain defined expenses in excess of a Total Selling Expense Limit, which is the sum of a series of defined allowances. Schedule Q is a demonstration of a company's compliance with that Limit.

2. A complete Schedule Q should be prepared for a company's individual life and individual annuity products issued for delivery in the U. S. and its possessions. Separate reports of Participating and Non-Participating business **are not required**. The following types of business are specifically excluded from Section 4228 requirements and, therefore, from Schedule Q reporting: debit business, group life, group annuity, credit, health, reinsurance assumed (other than assumption reinsurance) and reinsurance ceded (but the company selling the business fully includes the business in its calculations, ignoring the reinsurance ceded), and policies delivered outside the United states and its possessions.

3. The expenses covered in the Total Selling test are (i) those associated with the sale and maintenance of a company's individual life and individual annuity products, (ii) identified by category and function in subsection (c)(2) of the law, and (iii) included regardless of whether they are incurred in the home office, regional office, field office or other location.

4. As a basic principle in preparing data for Schedule Q, one should start with Annual Statement data and make adjustments to it where appropriate. A reconciliation to support the adjustments, showing the Annual Statement amount, the adjustments and the amount used in Schedule Q should be retained in your files. Also, where appropriate, data from both the company’s Annual Statement (blue cover) and each Separate Account Annual Statement (green cover) should be combined for Schedule Q purposes.

SCHEDULE Q

DEFINITIONS

(in alphabetical order)

Category and Summary	§ 4228 Subsection
1. Advance and Loan	
(a) An "advance" is any amount (i) that is paid to an agent up to an amount not exceeding the value of three months' expected compensation payments and (ii) that is expected to be repaid within the next twelve months through reductions in future compensation.	**(b)(1)**
(b) A "loan" is any payment to an agent, other than an advance, that is expected to be repaid from future compensation. An amount paid in annualization as defined below is not a loan, nor is an amount that satisfies the criteria of Section 1405-Investments, of the NY Insurance Law.	**(b)(1)**
2. Agent, Broker and General Agent	**(b)(2)**
(a) The term "Agent" is defined in Section 2101 of the NY Insurance Law, and means an authorized or acknowledged agent of an insurer and any sub-agent or other representative of such an agent, who acts as such in the solicitation of or procurement of an insurance or annuity contract, other than a licensed insurance broker.	
(b) The term "Broker" is defined in Section 2104 of the NY Insurance Law.	
(c) A "General Agent" is an agent who is appointed directly by a company,other than a local salaried representative, who recruits, trains and supervises other agents, or has the right to do so.	**(b)(14)**
3. Annualization	**(b)(3)**
"Annualization" means the paying or crediting to an agent or broker, at the beginning of a policy year, of amounts of compensation or other payments based on all or a portion of the amount of premium scheduled to be received by the company with respect to such policy year. The calculation of limits on amounts annualized is based on the assumption that all or a portion of the premiums scheduled for the policy year are received at the beginning of the policy year.	

SCHEDULE Q DEFINITIONS CONTINUED
(in alphabetical order)

Category and Summary	§ 4228 Subsection
4 Benchmark Gross Level Premium (BGLP) Calculate the BGLP: (a) At the policy issue date and on any subsequent date on which the face amount or supplemental benefits under the policy are increased. (b) On a policy-by-policy basis, 125% of the net level premium for a whole life policy, with level premiums payable during the life of the insured and with those premiums starting on the same date and for the same initial face amount, based on 3½% interest and male aggregate (smoker and non-smoker combined) Commissioners 1980 Standard Ordinary Mortality Table (1980 CSO), ultimate mortality, age last birthday and immediate payment of claims, further adjusted as follows: (A) Add $100 to the BGLP for a policy but not for a rider. (B) Increase the BGLP for a policy providing supplemental benefits by rider or otherwise, (1) if the company makes an additional charge for the benefits, increase BGLP by the amount of the premium charge; (2) if the company does not make an additional premium charge, increase BGLP by 125% of the amount of the levelized annual cost of the insurance charge for the benefit, with the levelized charge based on the actual schedule of charges applicable at the time, and defined interest and mortality. (C) Increase at company option the BGLP for a policy in which guaranteed mortality charges exceed 1980 CSO for male smoker, age last birthday, or for substandard risks where an additional charge is made, by the amount of that charge. (D) Adjust BGLP where a life insurance policy provides coverage, other than by supplemental benefits, for more than one person to reflect the joint mortality status in a manner consistent with the coverage provided in the policy. Use the mortality and interest rates defined above. (E) The BGLP for a policy and its riders and benefits is the sum of the BGLP for the policy and each benefit, adjusted by (A), (B), (C) and (D) above. (F) The BGLP for a policy with premiums more frequent than annual is the annual premium BGLP adjusted by company's actual modal adjustment factors.	**(b)(4)**

SCHEDULE Q DEFINITIONS CONTINUED

(in alphabetical order)

Category and Summary	§ 4228 Subsection
5. Commission "Commission" means a payment to an agent or broker as compensation for the sale or service of a specific policy or contract, based on a percentage of premium or consideration.	**(b)(5)**
6. Compensation Arrangement "Compensation arrangement" means any arrangement made by a company to compensate its agents or brokers on New York business that includes any of the following: (A) A commission that, for a policy or contract: in policy or contract year 2-4 exceeds the limit set out in § 4228(d)(3) or, in any year after year 4 exceeds the limit set out in § 4228(d)(3) for the fourth policy or contract year. (B) A fund-based compensation arrangement that, for any policy or contract year, exceeds two percent of the fund annually in any of the policy or contract's first four years. (C) Any plan that provides a training allowance subsidy to agents that meets the provisions of (e)(3). (D) Any plan of agent or broker compensation other than commissions as described in (e)(2). (E) Any plan that provides for the payment of an expense allowance, other than one that provides no goods and services to the recipient of the expense allowance payments. The expense allowance payments must be expressed as percentages of premiums and none of the percentages can be greater than the percentages set out in (d)(5).	**(b)(6)**
7 **Contracts and Policies-General**	
(a) Types of policies and contracts covered: individual life insurance policies and riders, and individual annuity contracts and riders. Reinsurance ceded or assumed will not be included.	**(a)**
(b) "Contract": An individual annuity contract. A rider to a contract will be treated as a separate contract unless otherwise specified.	**(b)(7)**
(c) "Policy": An individual insurance policy. A rider to a policy will be treated as a separate policy unless otherwise specified.	**(b)(18)**

SCHEDULE Q DEFINITIONS CONTINUED

(in alphabetical order)

	Category and Summary	§ 4228 Subsection
8.	**Debit Life Insurance** All life insurance with premiums payable monthly or more frequently normally collectable by an agency force organized to make systematic house- to-house collections of premiums.	**(b)(8)**
9.	**Effective Date** January 1, 1998.	**(b)(9)**
10.	**Excess Premiums** For periodic premium policies, premiums received and journalized in Policy Year 1 that exceed the benchmark gross level premium.	**(b)(10)**
11.	**Expense Allowance** An expense allowance is a payment to an agent in place of reimbursement for expenses incurred on behalf of the company.	**(b)(11)**
12.	**Filing** By the term "filing" is meant the delivery of information to the superintendent or his designee concerning plans under which the company makes payments to its agents.	**(b)(12)**
13.	**Fund** A "fund" is a policy or contract accumulation account or any other similar policy or contract value at a particular time, before adjustment for surrender charge or market value charge. "Fund" may also mean a company's statutory reserve for the policy or contract.	**(b)(13)**
14.	**Goods and Services** The term "Goods and Services" means (A) Reimbursement to an agent or broker for vouchered expenses incurred in connection with sale or service of the company's policies or contracts; (B) Expenses for such sale or service assumed directly by the company. These expenses do not include the cost of recruiting or training agents or brokers, nor sales management, nor agents' security benefits.	**(b)(15)**

SCHEDULE Q DEFINITIONS CONTINUED

(in alphabetical order)

	Category and Summary	§ 4228 Subsection
15.	**Periodic Premium Policy and Periodic Consideration Contract** A periodic premium policy and periodic consideration contract is any policy or contract that is not a single premium policy or a single consideration contract.	**(b)(16)**
16.	**Periodic Premiums and Periodic Considerations** All amounts (including amounts for supplementary benefits) received by a company for a policy or contract other than single premiums and single considerations. This specifically excludes all amounts recorded under single premium and single consideration contracts.	**(b)(17)**
17.	**Premiums and Considerations** These categories, "premiums" and "considerations", include all amounts recorded for a policy or contract, except: dividends applied to purchase additional insurance under the same policy amounts meeting the requirements of § 4228 Subsection (b)(27)(B) and (C). Premiums and considerations include all amounts that arise from the application of values inherent in a policy or contract, such as dividend deposits, dividend additions, the excess of actual can values over guaranteed cash values, and policy loans.	**(b)(19)**
18.	**Qualified Annuity Contract** A qualified annuity contract is an annuity defined by the Internal Revenue Code sections 401, 403, or 457, and any other annuities defined by the superintendent.	**(b)(20)**
19.	**Qualifying First Year Premiums:** For Schedule Q allowances, count as qualifying first year premiums the following premiums for a policy, including all its riders and benefits, which are: (A) in the first policy year: the entire amount of the premium up to the BGLP for the policy, including all riders and benefits and including the entire amount of premium under the conversion of a term policy or rider to a permanent policy; or (B) in any policy year after the first: the entire amount of premiums recorded for the policy up to the BGLP for the current face amount, including all its riders and benefits, less the total previous qualifying first year premiums, but not less than zero; or (C) all premiums recorded up to the BGLP to renew a policy on more favorable terms than those guaranteed in the policy when renewal is subject to new underwriting and a new contestable period.	**(b)(21)**

SCHEDULE Q DEFINITIONS CONTINUED

(in alphabetical order)

	Category and Summary	§ 4228 Subsection
20.	**Recorded** "Recorded" means the crediting of an amount to the company's premium or considerations accounts for Annual Statement reporting purposes.	**(b)(22)**
21.	**Renewal Premiums** All periodic premiums other than qualifying first year premiums or excess premiums.	**(b)(23)**
22.	**Security Benefit** A security benefit is any benefit provided to an agent that is both: (A) provided under an employee benefit plan as defined in the Employee Retirement Income Security Act of 1974, and (B) either (i) a benefit under an employee benefit plan that qualifies as such under relevant sections of the IRS code, or (ii) a benefit that does not permit the agent to obtain a cash payment other than at death, permanent and total disability, or retirement.	**(b)(24)**

Note: 1) "Permanent and total disability" means any condition caused by injury or disease that prevents the agent from doing substantially all the work the agent normally performs.
2) If the Employee Income Security Act of 1974 is repealed, the Superintendent will provide, by Regulation, a new definition of "employee benefit plan".
3) This definition applies to agents classed either as "independent contractor" or "employee".

SCHEDULE Q DEFINITIONS CONTINUED

(in alphabetical order)

Category and Summary	§ 4228 Subsection
23. Selling Expenses	**(c)(2)**

Total Selling Expenses reported for a calendar year include certain kinds of expenses, listed below, paid directly or indirectly by the company, without regard to whether they are incurred in the company's home office or in a field or regional office.

The expenses so identified (and amplified or specified exactly in § 4228) are:

- Commissions
- Increase in outstanding advances and loans to agents, including unpaid interest and amounts charged off.
- Direct solicitation advertising that includes an application or solicitation of a response.
- Distribution, marketing and sales support expense directly related to the acquisition of new business. This includes but is not limited to:
  - Recruiting and training of agents or brokers,
  - Sales management and supervision,
  - Clerical functions in sales offices
  - Sales support: proposals, illustrations, underwriting and competition aids and related systems.
- Expense allowances paid to the agent or broker by the company, and agent or broker or agency expenses assumed or reimbursed by the company.
- Cost of conferences, meetings and awards paid for by the company.
- All other compensation paid to active and retired agents or brokers, including the cost of benefits.

(c)(3)

Total Selling Expenses do not include expenses not listed above and specifically do not include expenses related to the following activities, including compensation to individuals working full-time on these activities:

- Development and maintenance of products, systems and software
- Medical exams and inspections of risks
- Underwriting
- Policy issue
- Policy conservation
- Premium billing and collection
- Policy administration
- Claim administration and management
- Investment management
- Statutory and Regulatory filing and compliance
- Overall company management and direction
- Taxes, licenses and fees
- All activities not related to selling

(c)(5)

The above definition of Selling Expense does not preclude a company from making arrangements in such a manner that some of the expense is applicable to policies or contracts subject to this law and some applicable to policies, contracts or companies not subject to the law. In such a case, the company must develop an equitable basis of allocation and apply that basis consistently.

SCHEDULE Q DEFINITIONS CONTINUED

(in alphabetical order)

Category and Summary	§ 4228 Subsection
24. Single Considerations Single considerations are: (A) amounts (including amounts for supplementary benefits) recorded as single considerations or single deposits for contracts, or (B) contract values that are applied under the same contract at the later of (1) the end of a surrender charge period or (2) five years after the issuance of the contract or, if a previous application of contract values has occurred, five years after that application, when the re-application results in a new sales load or a surrender charge), or (C) settlement option proceeds generated at death or maturity under a policy or contract that are applied to purchase a new single consideration contract, or that are applied to purchase annuity benefits under the existing contract.	**(b)(25)**
25. Single Premiums For Schedule Q allowances, single premiums are: (A) amounts (including amounts for supplementary benefits) recorded as single premiums except dividends applied to purchase additional insurance under existing contracts, or (B) policy values that are applied under the same policy at the later of (1) the end of a surrender charge period, or (2) five years after the issuance of the policy or, if a previous application of policy values has occurred, five years after that application, when the re-application results in a new sales load or a surrender charge.	**(b)(26)**
26. Single Premium Policy or Single Consideration Contract A single premium policy or single consideration contract is a policy or contract which by its terms provides for a single payment at time of purchase and no subsequent payment during the life of the policy or contract. The determination of a policy or contract type is done separately for each policy, contract or rider.	**(b)(27)**

SCHEDULE Q DEFINITIONS CONTINUED

(in alphabetical order)

	Category and Summary	§ 4228 Subsection
27.	**Supplemental benefits** "Supplemental benefits" are any benefits provided as part of a policy or contract, whether by rider or otherwise, excluding life insurance on named insureds under the policy.	**(b)(28)**
28.	**Training Allowance Subsidy** A "training allowance subsidy" is the excess of the amount that is paid to an agent under a training allowance plan over the amount that would be paid in commissions and expense allowance to an experienced agent in the same sales force, producing the same sale of policies and contracts.	**(b)(29)**

SCHEDULE Q

GUIDELINES FOR EXPENSE CLASSIFICATIONS

I. OVERVIEW

All company expenses, with the exception of those exempted by Section 4228, may be classified as selling or non-selling. Schedule Q requires that the selling expenses be reported and measured in the Total Selling Expense Test.

Selling Expenses reported in the Total Selling Test include all expenses related to the selling function, regardless of where incurred--field, regional headquarters or home office. Selling Expenses, identified as such in Table 2 (see Table of Contents), includes all expenses related to the process of the procurement of new business.

To assist companies in determining Total Selling Expenses, the superintendent provides the following guidelines for determining the value of company expenses and goods and services provided to agents and general agents. These guidelines are discussed in sections II. through V. below.

II. EXPENSE GUIDELINES

A. References to expenses and company costs should be interpreted as the company's cost measured by statutory accounting principles and, unless an alternative interpretation is specified, should be measured on an accrual basis consistent with statutory Annual Statement reporting procedures. References to numbered Lines in the Annual Statement are those Lines in the 1997 Annual Statement.

B. Expenses are to be categorized on the basis of function, regardless of the label used by the company.

C. Allocation of benefit costs should be consistent with the allocation of the compensation of the employees or agents to whom the benefits were provided. The costs of these benefits should be determined based on the same methods used by the company for Annual Statement purposes.

D. Companies must evaluate the nature of the function performed, and not give undue weight to where the function was performed, in order to properly allocate the expense attributable thereto. For example, some companies have no major non-selling functions in their field offices, whereas others have transferred major non-selling functions such as issue, underwriting and policy service to the field offices. In addition, a company with a large direct mail or telemarketing business could incur a large portion of its selling expense in its home office.

SCHEDULE Q GUIDELINES FOR EXPENSE CLASSIFICATIONS CONTINUED

III. SELLING AND NON-SELLING EXPENSES

A. The following should be **included** in selling expenses:

1. All payments, allowances, services and recognition of any kind to agents or brokers. This shall include the value of any support or services provided "in kind" rather than "in cash" and shall include the fair market value of equipment, a fair allocation of space costs, clerical support, etc. provided to the agent, as well as the cost of conferences, awards and benefits.

2. All expenses similar to those in III.A.1 above for "sales management", which includes branch managers, general managers, agency vice presidents, regional directors marketing officers, etc., and their direct support staffs, whether located in a field office or an administrative or home office.

3. Sales support functions, such as preparation of illustrations, presentation packages, prospecting, enrollments and setting appointments for agents.

4. All expenses for staff, space, services, benefits, etc. incurred for facilities other than field offices directly related to marketing and/or distribution, including agents and brokers and field training, sales promotion, advanced underwriting support, proposals, competitive analysis, preparation of illustrations, generation of sales leads, etc.

5. Costs such as leasing, licensing, processing, etc.

6. Sales promotion materials.

7. Costs for developing, filing and administering compensation programs and contracts, amendments etc. for agents and brokers and sales management, and expenses related to field or sales management advisory groups and to the administration of agency compensation.

8. All expenses related to the recruiting, selection, development, activity-monitoring, training etc. of agents and sales management.

B. The following should be **excluded** from selling expenses:

1. Expenses for functions unrelated to selling in or on behalf of field offices, carried out by field clerical or administrative staff not licensed as agents who spend all of their work time on such functions.

2. Systems development costs and the operations of systems for functions not mentioned under III.A. above, such as payroll, premium billing and collection, etc.

3. Basic product development costs including actuarial services, and the preparation of rate books, systems, prospectuses, etc.

SCHEDULE Q GUIDELINES FOR EXPENSE CLASSIFICATIONS CONTINUED

IV. EXPENSE CATEGORY SUMMARY

Table 1 (see Table of Contents for exact location) summarizes those expenses which are usually considered to be selling or non-selling expenses, those which usually include elements of both selling and non-selling, and those which are excluded entirely from a company's Total Selling Expenses.

It should be recognized that the nature of the expense or the function performed, not the label attached to an accounting entry, is to be used to determine whether a particular expense is 'selling' or 'non-selling'.

V. EXPENSE CATEGORY DETAIL

Table 2 (see Table of Contents for exact location) provides a detailed list of individual expenses and their applicable selling or non-selling expense category.

SCHEDULE Q
INSTRUCTIONS—DETAIL

The instructions on this page and the two following pages, pages 14-16, are to assist in preparing your company's entries for the Expenses Worksheet (pages 1 and 2 of Schedule Q Worksheets) and Schedule Q Lines 1-7. Also, in preparing those documents, you may find it helpful to follow the directions in the Expense Guidelines Section (pages 11-13), Table 1 (pages 22-23) and Table 2 (pages 24-29).

TOTAL SELLING EXPENSE:

Line 1: **Commissions**

Enter on Line 1 all commissions to agents and brokers attributable to Individual Life and Annuity business subject to § 4228. Line 1 should include the following: Commissions to agents and brokers (see definition (b)(5) paid on premiums and considerations.

This includes commissions on first year, single, excess and renewal premiums and considerations as reported in your company's Annual Statement. See also Line 7 for the treatment of payments to agents on expense allowance plans.

Line 2 **Net Advances, Net Loans and Loan Interest Subsidies to Agents (including amounts charged off).** Refer to the definition of Advances and Loans in (b)(1) of the Law and to Appendix 1 (page 21), which provides an example of the development of this Line.

(a) This category includes: (1) + (2) + (3) - (4) - (5), where

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

Notes: In the formula above, amounts charged off are `recognized' by not being included in repayments.
Annualization of commissions is not considered an advance or a loan.

(b) **In practice**, this result may be obtained from the individual life and annuity portion of the following **Annual Statement** items:

Category	**Annual Statement**		
	Exhibit	Column	Line
1. Change in Agent Debit Balances	Not an Annual Statement item.		
PLUS			
2. Balances Charged Off	5	1	7.2
PLUS			
3. Loan interest subsidies	Not an Annual Statement item.		

SCHEDULE Q INSTRUCTIONS—DETAIL CONTINUED

Line 3 **Direct Solicitation Advertising Expense**. Report on this line the amount of direct solicitation advertising. Direct solicitation advertising is advertising that either includes an application or solicits a response to obtain an application for an insurance policy or annuity contract regulated by § 4228.

Line 4 **Distribution, Marketing and Sales Support Expenses Directly Related to the Procurement of New Business, Including the Recruiting and Training of Agents.** Include the following types of expenses directly related to the procurement of new business, without regard to whether they are incurred in the home office, regional office, field office or other location:

(a) recruiting and training of agents, including related record keeping.
(b) sales management and supervision.
(c) clerical functions in sales offices.
(d) all other sales support functions, including, but not limited to, advanced underwriting, proposals, illustrations, competition aids, and related systems.

Line 5 **All Agency Expenses Assumed or Reimbursed by the Company.**

Line 6 **Company Cost of Sales Conferences, Training Meetings and Awards.** Report on this Line the cost of all company-organized conferences, meetings and awards for sales personnel.

Line 7 **All Other Compensation Cost and Expenses Incurred on Behalf of the Company's Agents.** Include on this Line:

(a) All compensation to agents or brokers not directly based on premiums and compensation to general agents**.** This includes, but is not limited to:
   1. Compensation to agents from a non-premium or non-consideration source.
   2. Payments under incentive-based arrangements.
   3. Overrides to general agents.
   4. Compensation paid as salary and overrides under a salary compensation plan.
(b) Other compensation not recognized elsewhere.
(c) The cost of all security benefits provided to agents.
(d) Amounts paid to agents under Training Allowance Plans. Report here either:
   1) the amounts paid to agents on training plans in excess of what they would have been paid if they were not on such plans (i.e., the usual forms of compensation to agents not participating in a training allowance plan, such as: commissions, persistency bonuses and supplemental compensation). Report these "usual forms of compensation" to such agents on Line 1 and report expense allowance payments on Line 5; or
   2) report the entire amount of training allowance payments to agents here.
(e) The value of stock options to agents on a basis acceptable to the Department.
(f) All other expense amounts not included elsewhere.

Line 8 **Total Selling Expense:**
Calculation: Lines 1 + 2 + 3 + 4 + 5 + 6 + 7

Note: Total Selling Expenses reported on **Lines 3 through 7** above should not include expenses related to certain activities and the compensation of individuals who perform the activities full time, even if performed in a sales office. The excluded activities are:

1. product development
2. medical examination and inspection of risk
3. underwriting
4. policy issue
5. policy conservation
6. premium billing and collection
7. policy administration
8. claims administration and management
9. investment management
10. statutory and regulatory filing and compliance
11. overall company management not related to selling
12. all other non-selling activities

TOTAL SELLING EXPENSE LIMIT CALCULATIONS

The instructions on this page and the two following pages, pages 17-19, are to assist in preparing your company's entries for Lines 9-22 of the Schedule Q Report. These instructions principally address the preparation of the Total Selling Expense Limit Worksheet, pages 3 and 4 of Schedule Q Worksheets. That Worksheet, in turn, supports Lines 9-21 of Schedule Q.

The notes below apply to these instructions:

(a) Premiums and considerations include all amounts recorded as such in a company's Annual Statement for:
life insurance policies
annuity contracts
supplementary contracts

(b) Premiums and considerations include amounts paid to a company from values inherent in a policy or contract, such as dividend deposits, credited cash values above guaranteed cash values, surrender of dividend additions, premiums paid in advance, or policy loans, as well as amounts paid to renew a periodic premium policy under more favorable terms than those guaranteed in the policy, subject to new underwriting requirements and a new contestable period.

Line 9 **LIFE INSURANCE--qualifying first year premiums (see definition 19 and Premium Worksheet A):**
For all life insurance policies: **55%** of qualifying first year premiums. This percentage is subject to adjustment under the provisions of (c)(4)(K). See the Optional Adjustment Worksheets.

Note:
1) Qualifying first year premiums are determined in relation to the Benchmark Gross Level Premium (see definition 9). To determine the qualifying first year premiums associated with life insurance benefit increases in policy years after the first: count as first year premium the excess of the periodic premium scheduled to be paid on the increased policy over the highest qualifying first year premium on the original policy, up to the benchmark gross level premium.

2) A company that reduces the first year commission rate on a product or group of products, and increases the renewal commission rate on those products to a rate above 12%, may choose to recognize the pattern of commission expense in the development of the limit, as provided by (c)(4)(K). Adjustment Worksheet Part III develops the appropriate factors, and Total Selling Expense Limit Worksheet, item 1 provides for that limit to be the product of (i) a calculated factor and (ii) qualifying first year premiums.

3) Premiums recorded as Single Premiums in the Annual Statement are treated, in Premium Worksheet A, as either 'qualifying first year' or 'excess', depending on the relationship of the premium to the BGLP.

Line 10 **LIFE INSURANCE--excess premiums (see definition 10 and Premium Worksheet):**
For all life insurance policies: **5.0**% of excess premiums that are (i) recorded in the Annual Statement as first year premium and (ii) identified as 'excess premium' in the Premium Worksheet A.

Line 11 **INDIVIDUAL ANNUITIES and SUPPLEMENTARY CONTRACTS--all considerations (see definitions 16 and 24, and Considerations Worksheet B:).**
For all individual annuities and supplementary contracts: **5.0**% of all considerations recorded in the Annual Statement. The amount as calculated must be adjusted if a company that pays compensation based on annuity funds chooses to adjust its limit (see (c)(4)(K) for a description of the reduction and increment elements). The adjustment made on this Line is a reduction, the amount of which is calculated in the Adjustments Worksheet, Part III.

Line 12 **Calculation:** **110**% of the sum of the amounts in Lines 9 + 10 + 11

Line 13 **LIFE INSURANCE**:
On new life insurance for which any premium is paid during the year the allowance is $**1.00** for each $1,000 of insurance provided. The amount of new life insurance includes:

(a) The life insurance on new policies paid for during the calendar year.
(b) The life insurance on in force term insurance policies converted to permanent insurance on the basis of attained age during the calendar year.
(c) The life insurance on policies which were renewed under more favorable terms than those guaranteed in the policy, subject to new underwriting and a new contestable period during the calendar year.
(d) On in force policies where the amount of insurance is increased for other than contractual reasons during the calendar year, the amount of such increase.

The information comes from the Exhibit of Life Insurance, Column 4, Lines 2+4+5.

Line 14 **LIFE INSURANCE, and ANNUITIES and SUPPLEMENTARY CONTRACTS**

Individual Life Insurance. On new life insurance policies paid for during the current year other than term insurance policies providing coverage for less than one year, the allowance is **$70** per policy. Types of new life insurance policies to which this allowance applies are the same as those described in items (a), (b), and (c) of Line 14 above. The information comes from the Exhibit of Life Insurance, Column 3, Lines 2+4+5.

Individual Annuities and Supplementary Contracts. On new individual annuity contracts and on new supplementary contracts paid for during the year, for which the consideration has been journalized and recorded in the Annual Statement, the allowance is **$70** per contract.

Line 15 **LIFE INSURANCE--renewal premiums (see definition 21)**
12% of renewal premiums received during the current year on individual life insurance policies.

Note:
A company that reduces the first year commission rate on a product or group of products, and increases the renewal commission rate on those products to a rate above 12% may choose to recognize the pattern of commission expense in the development of the limit as provided by (c)(4)(K). Adjustment Worksheet Part III develops the appropriate adjustment factors, and Total Selling Expense Limit Worksheet, item 7 provides for the calculation of a composite factor to apply to renewal premiums on Line 15.

Line 16 **LIFE INSURANCE--face amount, policies in force**
On life insurance policies in force, the allowance is **$0.15** per $1,000 of face amount at the end of the current year.

Line 17 **LIFE INSURANCE--face amount, policies in force**
On life insurance in force at the end of the current year, the allowance is **$1.00** for each $1,000 of the first $1,000,000,000 of face amount and **$0.50** for each $1,000 of the next $1,000,000 of face amount.

Line 18 **ANNUITIES and SUPPLEMENTARY CONTRACTS--reserves**
On the sum of reserves for annuities and supplementary contracts in force at the end of the current year, the allowance is **.05%** of the first $1 billion of reserves and **.025%** of the next $1 billion of reserves.

Line 19 **AGENTS AND BROKERS HIRED WITH A LIMITED AMOUNT OF INCOME FROM LIFE INSURANCE AND ANNUITY SALES**
For a company that documents its selection, contracting and training of individuals hired to work as agents or brokers on primarily a full-time basis, and those individuals having little or no experience selling life insurance over the past three years, as evidenced by such individuals having earned less than $15,000 in total commissions, compensation and allowances for individual life insurance and annuities over the past three years combined, the following allowance:

(a) **$30,000** for each such agent or broker appointed during the current year, plus
(b) **$20,000** for each such agent or broker appointed during the calendar year one prior to the current year and still employed on January 1 of the current year, plus
(c) **$10,000** for each such agent or broker appointed during the calendar year two prior to the current year and still employed on January 1 of the current year.

Line 20 **ANNUITIES**. The amount of the increment to the Limit for compensation on annuity funds, as calculated in the Adjustments Worksheet, Part III is entered here. A company that pays compensation on the amount of annuity funds (see (c)(4)(K) may choose to adjust the limit calculated for Schedule Q. For a company that so chooses, a reduction is made to the amount calculated for Line 11 of the Report and an increment is entered here, Line 20.

Line 21 **PRIOR YEAR'S EXCESS OF SELLING LIMIT OVER SELLING EXPENSE**
From the prior year's Schedule Q Report, the lesser of (a) and (b):

(a) The excess, if any, of
(i) the Total Selling Expense Limit, Line 21 of the Total Selling Limit section of the Schedule Q Report (for 1998, use Line 22), over
(ii) the Total Selling Expense, line 8 of the Total Selling Expense section;
(b) 5% of the Total Selling Expense Limit.

Line 22 **TOTAL SELLING EXPENSE ALLOWANCE**
Calculation: Lines 9+10+11+12 + 13 + 14 + 15 + 16 + 17c + 18c + 19d + 20 + 21

APPENDIX 1

TREATMENT OF LOANS AND AMOUNTS CHARGED-OFF
FOR SCHEDULE Q: TOTAL SELLING EXPENSE, LINE 2

			Transaction Details			
Year	Date	Event	Transaction	Agent 1		Agent 2
2010	2.1	Sale of Policy	FY Comm'n Payment	1,000		800
	2.1	**Make a Loan**	Initial Balance	10,000		--
	6.1	Sale of Policy	FY Comm'n Payment	1,200		900
		Repay Loan	Repayment		-120	--
	10.1	Sale of Policy	FY Comm'n Payment	2,000		1,500
		Repay Loan	Repayment		-200	--
	12.31	**Loan Balance**		9,680		--
2011	2.1	Sale of Policy	FY Comm'n Payment	3,000		2,000
		Repay Loan	Repayment		-300	--
	9.1	Sale of Policy	FY Comm'n Payment	6,000		4,000
		Repay Loan	Repayment		-600	--
	12.31	**Loan Balance**		8,780		--
2012	3.1	Sale of Policy	FY Comm'n Payment	5,000		6,000
		Repay Loan	Repayment		-500	--
	7.1	Sale of Policy	FY Comm'n Payment	xx		2,500
	12.31	Agent 1 Terminates	Loan Balance Charged Off		8,280	--
	12.31	Loan Balance		0		--

Summary of Transactions for Entry in Annual Statement Exhibits

	Categories	2010	2011	2012	To: A.S. Exhibit
1.	Change in Agent Balances	9,680	- 900	-8,780	Not in Annual Statement
2.	Change in Agent Credit Balances	0	0	0	Not in Annual Statement
3.	Change in Agent Debit Balances,(2)-(3)	9,680	- 900	-8,780	Not in Annual Statement
4.	Loan Balances Charged Off	0	0	8,280	Exh. 2, Col.1, Line 7.2

Summary of Transactions for Schedule Q:

		Total Selling Expense, Line 5			From: A.S. Exhibit
1.	Change in Agent Debit Balances	9,680	- 900	-8,780	Not in Annual Statement
2.	Loan Balances Charged Off	0	0	8,280	Exh. 2, Col 1, Line 7.2
3.	Loan Subsidies Provided				Not in Annual Statement

Alternative Formula for Line 5

1.	Advances Made in Year	0	0	0
2.	Loan Principal Provided	10,000	0	0
3.	Loan Interest Subsidy Provided	0	0	0
4.	Advances Repaid	0	0	0
5.	Loan Principal Repaid	320	900	500
6.	Line 2, Total Selling Expense: (1)+(2)+(3)-(4)-(5)	9,680	-900	-500

TABLE 1

SUMMARY OF EXPENSES SUBJECT TO FIRST YEAR SELLING, TOTAL SELLING AND TOTAL COMPANY LIMITS BY CATEGORY

Category				**Table 2 Expense No.**
A.	CLEARLY SELLING			
	1.	Producer Compensation		
		a.	1st Year (commissions, bonuses, net advances, etc.) – Life	1 – 7, 12 – 13, 29
			- Annuities	8 – 11, 12 – 13, 29
		b.	Renewal Compensation – Life	17 – 24, 30 - 35
			- Annuities	25 – 28, 30 – 35
		c.	Expense Allowances – 1st Year	16
		d.	Other Compensation – Life & Ann.	36 – 40
		e.	Financing & Training Allow.	41 – 42, 45
		f.	**Fringes	46 – 52
		g.	**Security Benefits	137 – 148, 150, 152
		h.	Expenses Paid by Company	54 - 63, 149, 151
	2.	Management/Supervision of Producers		
		a.	Overrides (1st & Ren) – Life & Ann.	14 – 15
		b.	All other Compensation - Life & Ann.	44, 71, 153 – 158
		c.	Financing (ADA, Net Loans, etc.)	159
		d.	**Fringes	65, 68 – 70
		e.	**Security Benefits	66 – 67
		f.	Expense Allow. & Direct Purchases For All Management/GA's	72 – 78
	3.	Direct Response Selling		
		Field, H.O. & Agent Direct Mail		105 – 110
	4.	Other Field Office Operating Expenses		
		a.	Compensation Other than Above	92*, 98 – 101*
		b.	**Fringes	91
		c.	**Security Benefits	93*, 94*
		d.	Other Operating Expense	79 – 89*, 90, 95,96 97*, 102 – 104*
	5.	Selling Support Expenses		
		a.	Marketing Training (All H.O. & Field)	114 – 120, 127
		b.	Producer Recruiting & Selection	121 – 123
		c.	Product Information & Sales Support (Incl. Sales Promotion, Competition)	124, 126, 128 – 129
B.	CLEARLY NON-SELLING			
	1.	Policy Administration in H.O.		215 - 227
	2.	Investment Expenses		228 - 234
	3.	Miscellaneous H. O. Expenses		53, 125, 241 243

C. SELLING/NON SELLING – Allocation needed

1.	H.O. Marketing		
	a.	Advertising – General	130
	b.	Advertising Co-Op & Local	131 – 132
2.	H.O. Staff Expenses		
	a.	Compensation	160 – 161
	b.	**Fringes	165 - 168
	c.	**Security Benefits	162 – 164
	d.	Other	169-170, 170-174
3.	H.O. Other Expenses		175 – 204
4.	H.O. Miscellaneous Expenses		235 – 238, 244

D. EXCLUDE

1.	Licenses: NASD, RIA, Fees	112
2.	Taxes	171, 205 - 214
3.	Guarantee Fund Assessments	240
4.	Charitable Contributions/Foundations	242

* Possibly includes Non-Selling functions, which would require a " defensible allocation" to break-out.
** Fringes and Security Benefits associated and consistent with other expenses within category.

TABLE 2

DETAIL LIST OF EXPENSES SUBJECT TO TOTAL SELLING LIMIT, BY CATEGORY

EXP NO.	EXPENSE	EXP CAT
1	Prod Comp 1st Yr Comm (Life) – Trad & Stipulated Prem WL & LPL	Selling
2	Prod Comp 1st Yr Comm (Life) – Flex Prem (UL, VUL) Minimum	Selling
3	Prod Comp 1st Yr Comm (Life) – Flex Prem Excess Over Minimum	Selling
4	Prod Comp 1st Yr Comm (Life) – Term	Selling
5	Prod Comp 1st Yr Comm (Life) – COLI	Selling
6	Prod Comp 1st Yr Comm (Life) – Single Premium	Selling
7	Prod Comp 1st Yr Comm (Life) – Asset Based Compensation	Selling
8	Prod Comp 1st Yr Comm (Annuity) – Fixed Consideration	Selling
9	Prod Comp 1st Yr Comm (Annuity) – Flexible Consideration	Selling
10	Prod Comp 1st Yr Comm (Annuity) – SPDA, SPIA	Selling
11	Prod Comp 1st Yr Comm (Annuity) – Structured Settlements	Selling
12	Prod Comp Other FYC(Life) – Client/Lives Bonus	Selling
13	Prod Comp Other FYC(Life) – Other Bonuses/Incentive Comp	Selling
14	Fld Office Exp GA, MGR, 2nd LN MGR Life – Overrides – First Year	Selling
15	Fld Office Exp GA, MGR, 2nd LN MGR Life – Overrides – Renewal Years	Selling
16	Prod Comp Exp Pd by Co For Producer – Expense Allowances – First Year	Selling
17	Prod Comp Renl Comm (Life) – Trad & Stipulated Prem WL & LPL	Selling
18	Prod Comp Renl Comm (Life) – Flex Prem (UL, VUL) Minimum	Selling
19	Prod Comp Renl Comm (Life) – Flex Prem Excess Over Minimum	Selling
20	Prod Comp Renl Comm (Life) – Term	Selling
21	Prod Comp Renl Comm (Life) – COLI	Selling
22	Prod Comp Renl Comm (Life) – Service Fees	Selling
23	Prod Comp Renl Comm (Life) – Collection Fees	Selling
24	Prod Comp Renl Comm (Life) – Trailers	Selling
25	Prod Comp Renl Comm (Annuity) – Fixed Consideration	Selling
26	Prod Comp Renl Comm (Annuity) – Flexible Consideration	Selling
27	Prod Comp Renl Comm (Annuity) – SPDA(for renewal)	Selling
28	Prod Comp Renl Comm (Annuity) – Trailers	Selling
29	Prod Comp Other FYC(Life) – Inc/Dec in Net Comm Advances	Selling
30	Prod Comp Other Renl Comp (Life) – Client/Lives Bonus	Selling
31	Prod Comp Other Renl Comp (Life) – Production/Persist/Loan Bonus	Selling
32	Prod Comp Other Renl Comp (Life) – Prod Reinsurance Company Allow.	Selling
33	Prod Comp Other Renl Comp (Life) – Inc/Dec in Net Comm Advances	Selling
34	Prod Comp Other Renl Comp (Life) – Agent Balances Charged Off	Selling
35	Prod Comp Other Renl Comp (Life) – Corp Contact Benefit Allow	Selling

EXP NO.	EXPENSE	EXP CAT
36	Prod Comp Other Renl Comp (Non-Base) – Salaries – Personal Selling	Selling
38	Prod Comp Other Renl Comp (Non-Base) – Salaries – Other	Selling
39	Prod Comp Other Renl Comp (Non-Base) – Fees for Speaking, Training, Etc.	Selling
40	Prod Comp Other Renl Comp (Non-Base) – Agent and Broker Nominator Fees & Override	Selling
41	Prod Comp Agent Financing – Training Allow (Fixed/Incentive)	Selling
42	Prod Comp Agent Financing – Development Bonuses	Selling
44	Prod Comp Agent Financing – Net Bonuses/Charges to Fld Mgmt	Selling
45	Prod Comp Agent Financing – Exp. Agt Allow	Selling
46	Prod Comp Producer Fringes – Vacation Allowances	Selling
47	Prod Comp Producer Fringes – Service and Retirement Awards	Selling
48	Prod Comp Producer Fringes – CLU, etc. Exams, Books, & Dues	Selling
49	Prod Comp Producer Fringes – College Tuition Refunds	Selling
50	Prod Comp Producer Fringes – CLU Institutes/Campus Training	Selling
51	Prod Comp Producer Fringes – Agency Confs/Natl Conventions	Selling
54	Prod Comp Exp Pd by Co For Producer – Car Purchase or Lease	Selling
55	Prod Comp Exp Pd by Co For Producer – Expense Allow – Renl Years	Selling
56	Prod Comp Exp Pd by Co For Producer – Company Provided Computers	Selling
57	Prod Comp Exp Pd by Co For Producer – Company Provided Equipment	Selling
58	Prod Comp Exp Pd by Co For Producer – Company Provided Furniture	Selling
59	Prod Comp Exp Pd by Co For Producer – PC Lines/Use Costs/Software	Selling
60	Prod Comp Exp Pd by Co For Producer – Clerical/Prof'l Salaries and Fees	Selling
61	Prod Comp Exp Pd by Co For Producer – Cost of Clerks Bene's – Welfare	Selling
62	Prod Comp Exp Pd by Co For Producer – Cost of Clerks Bene's – Profit Share	Selling
63	Prod Comp Exp Pd by Co For Producer – Cost of Clerks Bene's – Pension	Selling
65	Fld Office Exp Benefits – Errors and Omissions	Selling
66	Fld Office Exp Benefits – Profit Sharing, Thrift, etc.	Selling
67	Fld Office Exp Benefits – Pensions	Selling
68	Fld Office Exp Benefits – Bonding Expense	Selling
69	Fld Office Exp Fringe Benefits – CLU, etc. (see Agent List)	Selling
70	Fld Office Exp Fringe Benefits – Mgmt Conference & Awards	Selling
71	Fld Office Exp Fringe Benefits – Corporate Allowances	Selling
72	Fld Office Exp Pd by Co For Field Mgmt – Travel, Meals, Entertainment	Selling
73	Fld Office Exp Pd by Co For Field Mgmt – Expense Allowances	Selling
74	Fld Office Exp Pd by Co For Field Mgmt – Computers & Software	Selling
75	Fld Office Exp Pd by Co For Field Mgmt – Equipment and Furniture	Selling
76	Fld Office Exp Pd by Co For Field Mgmt – Car Purchase or Leasing	Selling
77	Fld Office Exp Agency Exp (Co Pd For Field) – Agency Exp Allow – First Year	Selling
78	Fld Office Exp Agency Exp (Co Pd For Field) – Agcy Exp Allow – Renewal Years	Selling
79	Fld Office Exp Agency Exp (Co Pd For Field) – Equipment – Office	Selling*
80	Fld Office Exp Agency Exp (Co Pd For Field) – Equipment – Computers	Selling*
81	Fld Office Exp Agency Exp (Co Pd For Field) – Equipment – Furniture	Selling*
82	Fld Office Exp Agency Exp (Co Pd For Field) – Equipment – Training, Video, Etc.	Selling*

EXP NO.	EXPENSE	EXP CAT
83	Fld Office Exp Agency Exp (Co Pd For Field) – Office Supplies	Selling*
84	Fld Office Exp Agency Exp (Co Pd For Field) – Computer Line/Use/Software	Selling*
85	Fld Office Exp Agency Exp (Co Pd For Field) – Rents	Selling*
86	Fld Office Exp Agency Exp (Co Pd For Field) – Alterations	Selling
87	Fld Office Exp Agency Exp (Co Pd For Field) – Lease Expenses	Selling*
88	Fld Office Exp Agency Exp (Co Pd For Field) – Janitorial	Selling*
89	Fld Office Exp Agency Exp (Co Pd For Field) – Utilities	Selling*
90	Fld Office Exp Agency Exp (Co Pd For Field) – Agency Conferences & Meetings	Selling
91	Fld Office Exp Agency Exp (Co Pd For Field) – Agency Prizes & Trophies	Selling
92	Fld Office Exp Agency Exp (Co Pd For Field) – Field Clerical Staff - Salaries	Selling*
93	Fld Office Exp Agency Exp (Co Pd For Field) – Field Clerical Staff – Profit Sharing	Selling*
94	Fld Office Exp Agency Exp (Co Pd For Field) – Field Clerical Staff - Pensions	Selling*
95	Fld Office Exp Agency Exp (Co Pd For Field) – Inspec'n Rpts for Recrt'g Fld Pers'l	Selling
96	Fld Office Exp Agency Exp (Co Pd For Field) – Agent and Broker Selection (CP's, etc.)	Selling
97	Fld Office Exp Agency Exp (Co Pd For Field) – Employment Agency Fees	Selling*
98	Fld Office Exp Agency Exp (Co Pd For Field) – Professional Salaries – Accountant	Selling*
99	Fld Office Exp Agency Exp (Co Pd For Field) – Professional Salaries – Lawyer	Selling*
100	Fld Office Exp Agency Exp (Co Pd For Field) – Professional Salaries – Actuary	Selling*
101	Fld Office Exp Agency Exp (Co Pd For Field) – Professional Salaries – Other	Selling*
102	Fld Office Exp Agency Exp (Co Pd For Field) – Postage, Express, Courier	Selling*
103	Fld Office Exp Agency Exp (Co Pd For Field) – Telephone, Fax	Selling*
104	Fld Office Exp Agency Exp (Co Pd For Field) – Risk Mgmt Exp (Casualty Ins., etc.)	Selling*
105	Oth Fld Mkt/Distr Direct Response Sales – Mailers, Sales Promotion	Selling
106	Oth Fld Mkt/Distr Direct Response Sales – Leads (Systems, Purchases)	Selling
107	Oth Fld Mkt/Distr Direct Response Sales – Mailing Lists/Services	Selling
108	Oth Fld Mkt/Distr Direct Response Sales – Salaries and Commissions	Selling
109	Oth Fld Mkt/Distr Direct Response Sales – Telemarketing Expense	Selling
110	Oth Fld Mkt/Distr Direct Response Sales – Incentives to Customers	Selling
112	Oth Fld Mkt/Distr Suppl. Distrib – RIA, NASD, etc. Fees	Exclude
114	H.O. Mktg Exp Training – Trainer's Salaries	Selling
115	H.O. Mktg Exp Training – Trainer's Benefits	Selling
116	H.O. Mktg Exp Training – Field Clerical	Selling
117	H.O. Mktg Exp Training – Agents, Brokers and Management	Selling
118	H.O. Mktg Exp Training – Materials	Selling
119	H.O. Mktg Exp Training – Facilities	Selling
120	H.O. Mktg Exp Training – Video Productions & Audio	Selling
121	H.O. Mktg Exp Recruiting & Selection – Research	Selling
122	H.O. Mktg Exp Recruiting & Selection – Advertising	Selling
123	H.O. Mktg Exp Recruiting & Selection – Selection Tests & Contracts	Selling

EXP NO.	EXPENSE	EXP CAT
124	H.O. Mktg Exp Sales Promotion – Bulletins & Flyers	Selling
125	H.O. Mktg Exp Sales Promotion – Rate Cards & Hand-Held Calc's	NonSelling
126	H.O. Mktg Exp Sales Promotion – Illustration Software & Systems	Selling
127	H.O. Mktg Exp Sales Promotion – PC Support & Training	Selling
128	H.O. Mktg Exp Sales Promotion – Advanced Underwriting Support	Selling
129	H.O. Mktg Exp Sales Promotion – Sales Rpt'g and Agt Honors Support	Selling
130	H.O. Mktg Exp Advertising – Advertising Expenses	Selling/NonSelling
131	H.O. Mktg Exp Advertising – Co-op Advertising	Selling/NonSelling
132	H.O. Mktg Exp Advertising – Local Advertising	Selling/NonSelling
133	Prod Comp Exp Pd by Co For Producer – Rent	Selling
134	Prod Comp Exp Pd by Co For Producer – Agent and Broker Travel	Selling
135	Prod Comp Exp Pd by Co For Producer – Books and Periodicals	Selling
136	Prod Comp Exp Pd by Co For Producer – Training	Selling
137	Fld Office Exp Benefits – Insurance & Welfare	Selling
138	Prod Comp Producer Benefits – Grp Life, AD&D, Survivors, Depdts	Selling
139	Prod Comp Producer Benefits – Major Med, HMO, Surgical	Selling
140	Prod Comp Producer Benefits – Dental	Selling
141	Prod Comp Producer Benefits – Pre-Paid or Reimbursed Legal	Selling
142	Prod Comp Producer Benefits – Other Life Ins(Travel,Accident,etc)	Selling
143	Prod Comp Producer Benefits – Disability Income	Selling
144	Prod Comp Producer Benefits – Cafeteria Credits	Selling
145	Prod Comp Producer Benefits – Profit Sharing	Selling
146	Prod Comp Producer Benefits – Thrift Plan	Selling
147	Prod Comp Producer Benefits – 401(k)	Selling
148	Prod Comp Producer Benefits – E.S.O.P.	Selling
149	Prod Comp Producer Benefits – Errors and Omissions	Selling
150	Prod Comp Producer Benefits – Pensions (Def Contrib/Def Benefit)	Selling
151	Prod Comp Producer Benefits – Agent and Broker Bonding	Selling
152	Prod Comp Producer Benefits – Child Care	Selling
153	Fld Office Exp GA, Mgr, 2nd LN Mgr Life – Contin,Bonuses,Trailers-1st Yr	Selling
154	Fld Office Exp GA, Mgr, 2nd LN Mgr Life – Contin,Bonuses,Trailers-Renl Yr	Selling
155	Fld Office Exp GA, Mgr, 2nd LN Mgr Life – Salary	Selling
156	Fld Office Exp GA, Mgr, 2nd LN Mgr Ann – Overrides	Selling
157	Fld Office Exp GA, Mgr, 2nd LN Mgr Ann – Contingents, Bonuses and Trailers	Selling
158	Fld Office Exp GA, Mgr, 2nd LN Mgr Oth Comp – Producer Reins.	Selling
159	Fld Office Exp Financing – Field Mgmt,Not Inc Elsewh(ie. ADA)	Selling

EXP NO.	EXPENSE	EXP CAT
160	Other H.O. Exp Staff – Salaries	Selling/NonSelling
161	Other H.O. Exp Staff – Bonuses	Selling/NonSelling
162	Other H.O. Exp Staff – Benefits – Welfare (see Agent and Broker List)	Selling/NonSelling
163	Other H.O. Exp Staff – Benefits – Profit Sharing	Selling/NonSelling
164	Other H.O. Exp Staff – Benefits – Pension	Selling/NonSelling
165	Other H.O. Exp Staff – Fringe Benefits (see Agent List)	Selling/NonSelling
166	Other H.O. Exp Staff – Fringe Benefits – Child Care Facilit.	Selling/NonSelling
167	Other H.O. Exp Staff – Fringe Benefits – Exercise Facilit.	Selling/NonSelling
168	Other H.O. Exp Staff – Fringe Benefits Parking	Selling/NonSelling
169	Other H.O. Exp Staff – Travel & Entertainment	Selling/NonSelling
170	Other H.O. Exp Staff – Training	Selling/NonSelling
171	Other H.O. Exp Staff – Payroll Taxes	Exclude
172	Other H.O. Exp Staff – Employment Expense	Selling/NonSelling
173	Other H.O. Exp Staff – Employee Relocation/Housing	Selling/NonSelling
174	Other H.O. Exp Staff – Professional Dues	Selling/NonSelling
175	Other H.O. Exp Operating Expenses – Rent,Utilities	Selling/NonSelling
176	Other H.O. Exp Operating Expenses – Building Maintenance	Selling/NonSelling
177	Other H.O. Exp Operating Expenses – Security	Selling/NonSelling
178	Other H.O. Exp Operating Expenses – Equipment - Computers	Selling/NonSelling
179	Other H.O. Exp Operating Expenses – Equipment – Office	Selling/NonSelling
180	Other H.O. Exp Operating Expenses – Equipment – Furniture	Selling/NonSelling
181	Other H.O. Exp Operating Expenses – Equipment - Other	Selling/NonSelling
182	Other H.O. Exp Operating Expenses – Depreciation	Selling/NonSelling
183	Other H.O. Exp Operating Expenses – Postage,Express	Selling/NonSelling
184	Other H.O. Exp Operating Expenses – Telephone, Telegraph, and Fax	Selling/NonSelling
185	Other H.O. Exp Operating Expenses – Risk Mgmt. (Casualty Coverage)	Selling/NonSelling
186	Other H.O. Exp Operating Expenses – Transportation Services	Selling/NonSelling
187	Other H.O. Exp Operating Expenses – Printing and Stationery	Selling/NonSelling
188	Other H.O. Exp Operating Expenses – Emp Bene’s Serv/Admin Fees/Bks	Selling/NonSelling
189	Other H.O. Exp Operating Expenses – Auditing	Selling/NonSelling
190	Other H.O. Exp Operating Expenses – Bookkeeping & Accounting	Selling/NonSelling
191	Other H.O. Exp Operating Expenses – Legal Staff/Legal Consultants	Selling/NonSelling
192	Other H.O. Exp Operating Expenses – Legal Fees & Expenses	Selling/NonSelling
193	Other H.O. Exp Operating Expenses – Costs of Judgements	Selling/NonSelling
194	Other H.O. Exp Operating Expenses – Human Resources Functions	Selling/NonSelling
195	Other H.O. Exp Operating Expenses – Plann’g Budget’g, and Admin	Selling/NonSelling
196	Other H.O. Exp Operating Expenses – Mgmt, Strategic, and Finan’l Cons.	Selling/NonSelling
197	Other H.O. Exp Operating Expenses – Public Accountant	Selling/NonSelling
198	Other H.O. Exp Operating Expenses – Consulting Actuaries	Selling/NonSelling
199	Other H.O. Exp Operating Expenses – Bank’g, Check’g, Custodial Funcs	Selling/NonSelling
200	Other H.O. Exp Operating Expenses – Other Professional Services	Selling/NonSelling
201	Other H.O. Exp Operating Expenses – Commun.(E Mail, TeleCnfrnc’g)	Selling/NonSelling
202	Other H.O. Exp Operating Expenses – Market Research Functions	Selling/NonSelling
203	Other H.O. Exp Operating Expenses – Research Suppliers	Selling/NonSelling
204	Other H.O. Exp Operating Expenses – Strategic Planning Functions	Selling/NonSelling

EXP NO.	EXPENSE	EXP CAT
205	Other H.O. Exp Taxes – State Premium Taxes	Exclude
206	Other H.O. Exp Taxes – State Ins. Dept Licens'g and Fees	Exclude
207	Other H.O. Exp Taxes – Co.Fed, State, and Local Inc Tax	Exclude
208	Other H.O. Exp Taxes – Other Taxes	Exclude
209	Other H.O. Exp Taxes – Real Estate Taxes	Exclude
210	Other H.O. Exp Taxes – Payroll Taxes (see Agent List)	Exclude
211	Other H.O. Exp Producer Taxes – Social Security Matching	Exclude
213	Other H.O. Exp Producer Taxes – State/Federal Unemployment	Exclude
214	Other H.O. Exp Producer Taxes – Worker's Compensation	Exclude
215	Other H.O. Exp Policy Administration – Investigation/Settlement of Claims	NonSelling
216	Other H.O. Exp Policy Administration – Billing Costs	NonSelling
217	Other H.O. Exp Policy Administration – Policy Sys & Systems Development	NonSelling
218	Other H.O. Exp Policy Administration – New Business App Processing	NonSelling
219	Other H.O. Exp Policy Administration – Forms & Procedures	NonSelling
220	Other H.O. Exp Policy Administration – Policy Service – Benefits Changes	NonSelling
221	Other H.O. Exp Policy Administration – Policy Service – Disbursements	NonSelling
222	Other H.O. Exp Policy Administration – Policy Service – Region Srvc Ops	NonSelling
223	Other H.O. Exp Policy Administration – Pol Undwrtg Funs,Insp Rpts,Med Fees)	NonSelling
224	Other H.O. Exp Policy Administration – Policy Undwrtng – Ruless,Testing,Rsrch	NonSelling
225	Other H.O. Exp Policy Administration – Policy Underwriting – Expert Sys	NonSelling
226	Other H.O. Exp Policy Administration – Mailing of Pols and Related Material	NonSelling
227	Other H.O. Exp Policy Administration – Conservation Expenses	NonSelling
228	Other H.O. Exp Investment Expenses – Staffing	NonSelling
229	Other H.O. Exp Investment Expenses – Real Estate Maintenance	NonSelling
230	Other H.O. Exp Investment Expenses – Brokerage and Account Mgmt Fees	NonSelling
231	Other H.O. Exp Investment Expenses – Insurance, Hedges, etc.	NonSelling
232	Other H.O. Exp Investment Expenses – News Services, Etc.	NonSelling
233	Other H.O. Exp Investment Expenses – Interest Exps/Commercial Paper	NonSelling
234	Other H.O. Exp Investment Expenses – Investment Systems	NonSelling
235	Other H.O. Exp Miscellaneous Expenses – Bad Debts (Except from Agents)	NonSelling
236	Other H.O. Exp Miscellaneous Expenses – Collect'n Costs & Collection Agncys	NonSelling
237	Other H.O. Exp Miscellaneous Expenses – Miscellaneous Losses, Pilferage	NonSelling
238	Other H.O. Exp Miscellaneous Expenses – Other General Expenses	NonSelling
240	Other H.O. Exp Miscellaneous Expenses – State Guarantee Funds	Exclude
241	Other H.O. Exp Miscellaneous Expenses – Bailout Expenses	NonSelling
242	Other H.O. Exp Miscellaneous Expenses – Charitable Contribs/Foundations	Exclude
243	Other H.O. Exp Miscellaneous Expenses – Rating Service Fees	NonSelling
244	Other H.O. Exp Miscellaneous Expenses – Books, Periodicals,Libraries	Selling/NonSelling

* Possibly includes nonselling functions which would require a "defensible allocation" to break-out.