



**DEPARTMENT OF INSURANCE
STATE OF ARIZONA**

Financial Affairs Division - Compliance Section
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**SUPPLEMENTARY SCHEDULE F-5 FOR MORTGAGE GUARANTY INSURERS
THAT CEDE TO CAPTIVE AND/OR UNAUTHORIZED REINSURERS**

ARS § 20-1557(D) requires a mortgage guaranty insurer to file a report with the Director that includes all information regarding its reinsurance agreements as required by the Director.

In addition to the Schedule F, Part 5, that is required to be filed with your Annual Statement, you **must file with us only (do not file with the N.A.I.C.), a "Supplementary Schedule F-5"** containing the information required by Schedule F, Part 5, Unauthorized Reinsurance, **but including the following additional information:**

- Contingency reserves ceded should be included in the amount reported for "reinsurance recoverable."
- Reinsurance ceded should be grouped and subtotaled according to the following categories:
 - Lender Captive – Authorized
 - Conduit – Authorized
 - Subtotal – Authorized
 - Lender Captive – Unauthorized
 - Conduit – Unauthorized
 - Other Unauthorized
 - Subtotal - Unauthorized
 - Lender Captive – Deposit Accounting
- Reinsurance ceded to any conduit mortgage guaranty reinsurer ("Conduit") whose primary business is to retrocede to lender captive reinsurers ("Retrocessionnaires") should be identified and accounted for as follows:
 - The Retrocessionnaires should be listed and grouped under the name of the Conduit, along with the information regarding reinsurance attributable to each Retrocessionnaire. Amounts should then be subtotaled for each Conduit.
 - If premiums are ceded to a Conduit which then retrocedes to one or more Retrocessionnaires, with trust funds or other security deposited by the Retrocessionnaire(s) jointly with the Conduit to secure reinsurance ceded by your Company, credit taken on Supplementary Schedule F-5 for reinsurance ceded to the Conduit shall not exceed the reserve security for the respective reserves retroceded to each Retrocessionnaire (i.e., unless Retrocessionnaires are jointly liable for each other's reinsurance, reserve security provided by one Retrocessionnaire can not be reported as an offset to reinsurance ceded to a different Retrocessionnaire).

The provision for unauthorized reinsurance thus computed should be included in the provision for reinsurance reported on Page 3 of your respective Annual Statement **or** Quarterly Statement.

Credit for reinsurance shall be allowed in accordance with applicable statutes, rules and accounting practices and procedures.

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Reinsurance Treaty Trust Agreements must comply with Arizona Statutes [ARS §§ 20-261.02; 20-1557(C)], Rules (AAC R20-6-1603), and NAIC Accounting Practices and Procedures (Appendix A-785 to the NAIC Accounting Practices and Procedures Manual and the NAIC Model Regulation on Credit for Reinsurance).

Reinsurance ceded to lender captive reinsurers that does not transfer sufficient risk shall be accounted for under deposit accounting guidelines, but should be identified on Supplementary Schedule F-5 as though unauthorized reinsurance accounting was being utilized.

Arizona domestic insurers **must** file this report **with** their **hard copy** Annual **and** Quarterly Financial Statements.

Foreign insurers **must** file this report **with** their **Form E-NAIC.PC** annual filing Checklist **and** with their **hard copy** Quarterly Financial Statements filed with us.

The **Supplementary Schedule F-5 report is CONFIDENTIAL** and not available for public viewing. ARS § 20-1557(F). **Label your Supplementary Schedule F-5 report as “CONFIDENTIAL,” and send it to:**

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Do not file your confidential Supplementary Schedule F-5 report with the N.A.I.C.