



Insurance Accounting

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Content

- Premiums
- Claims and reserves
- Balance sheet overview
- Life insurance
- Deferred acquisition costs (DAC)
- Reinsurance
- Investments
- Future accounting changes

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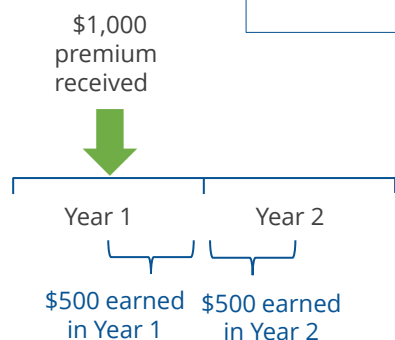
Insurance Income Statement

Premiums	500
Investment return	100
Claims expense	(350)
Acquisition costs	(50)
Administration costs	(100)
Finance costs	(30)
Pre-tax profit	70
Tax expense	(20)
Net income	50

Underwriting Profit /
Technical Margin

Accounting for Premiums: P&C Insurance

Companies recognise premiums as they are 'earned' over the coverage period

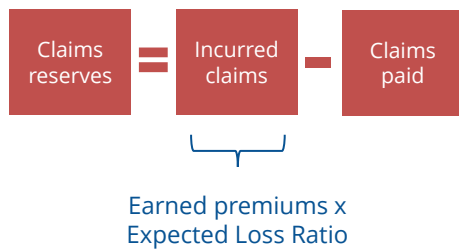


Written premiums	1,000
Unearned premiums	(500)
Net earned premiums	500
Unearned premium reserve	
Beginning of Year 1	0
Add: Premiums written	1,000
Subtract: Premiums earned	(500)
Ending of Year 1	500

Claims and Reserves: P&C Insurance

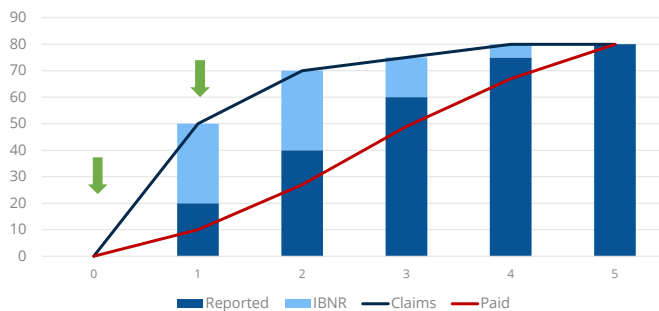
Companies can provide only for claims which have been **incurred** by the balance sheet date

Reserve for claims outstanding



Beginning reserve	0
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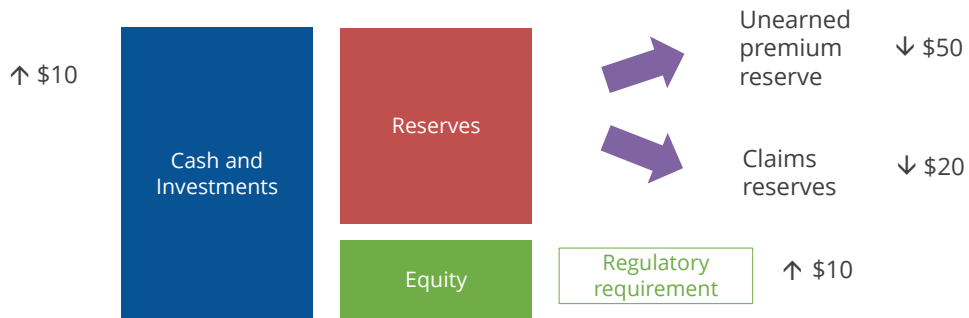
Claims Reserves



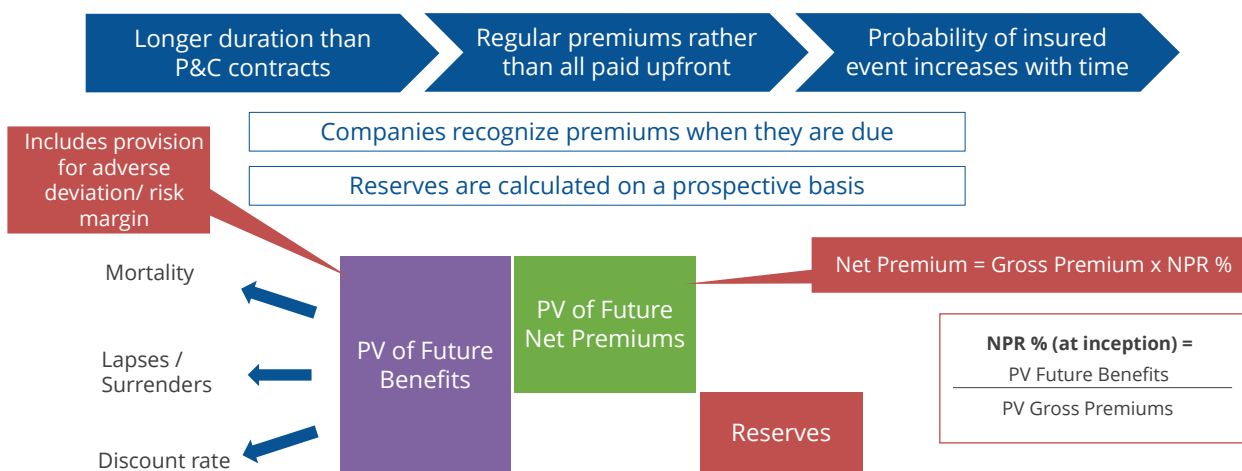
Beginning reserve	0
Add: Claims expense	50
Subtract: Claims paid	(10)
Ending reserve	40

P&C Balance Sheet

Portfolio of insurance policies \$100 with 80% expected loss ratio

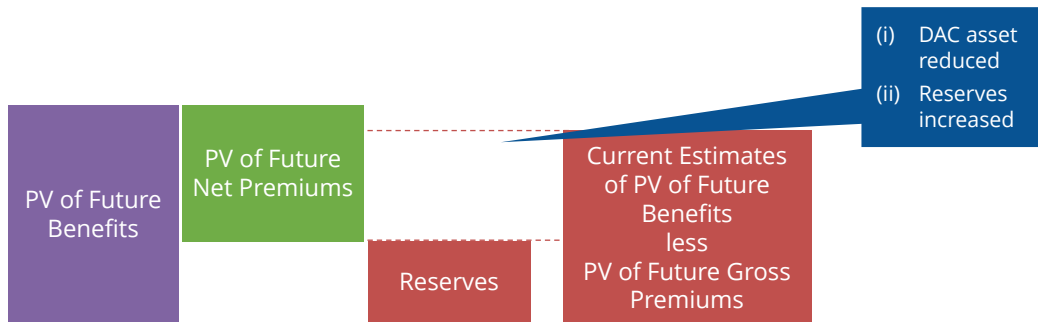


Premiums and Reserves: Life Insurance



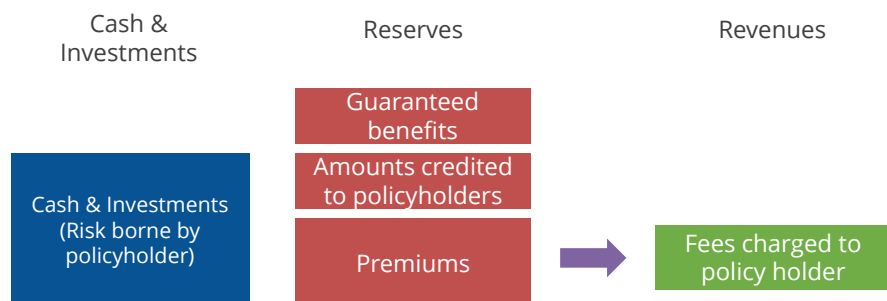
Life Insurance Reserves: Liability Adequacy Test

Insurance reserves must be updated to reflect current assumptions if the PV of future benefits exceeds the PV of future gross premiums

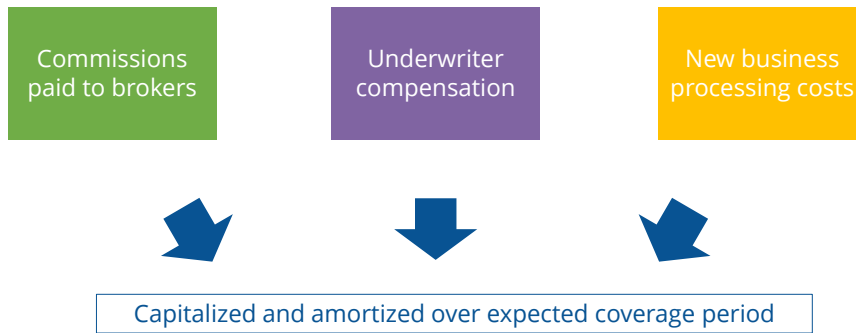


Reserves for Investment-Type Contracts

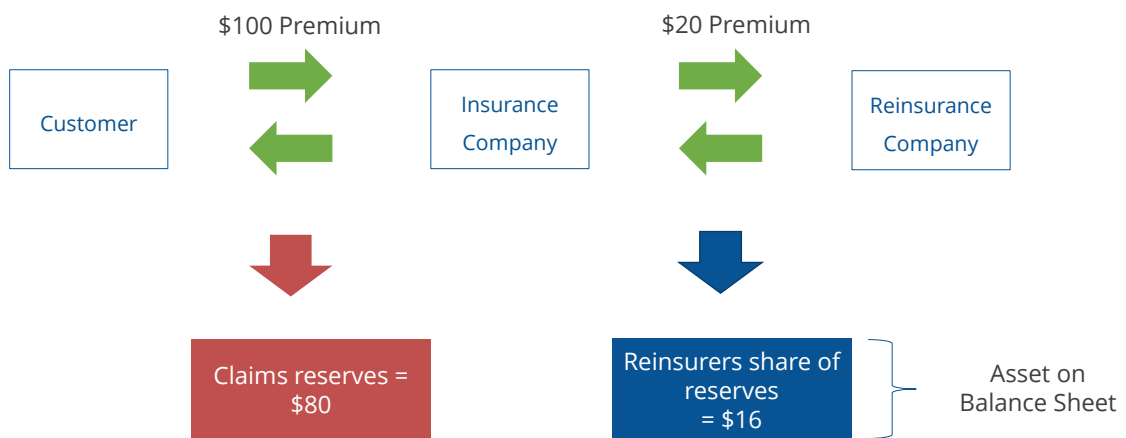
Premiums are treated as a deposit, rather than revenues

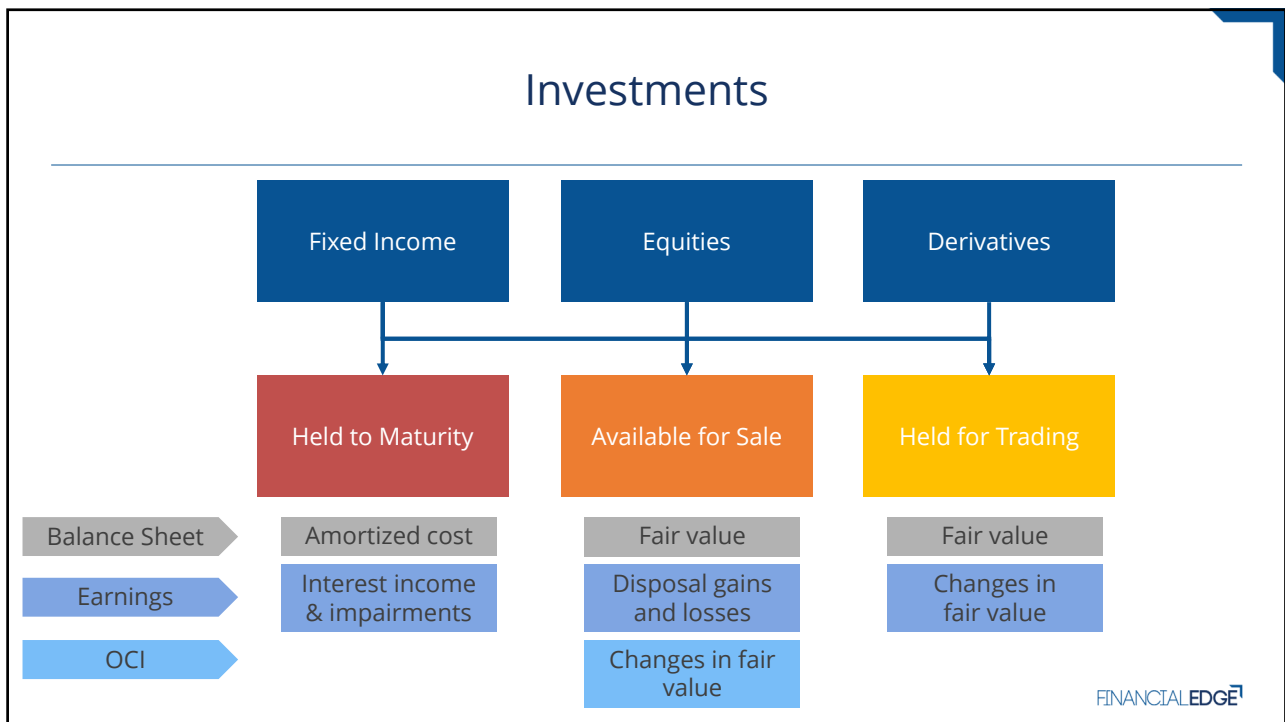


Deferred Acquisition Costs (DAC)



Reinsurance Accounting





Insurance Balance Sheet – In Detail

Intangible assets	8,784
Tangible assets	4,075
Amounts ceded to reinsurers from insurance provisions	4,294
Investments	471,233
<i>Of which investment risk is borne by policy holder</i>	75,373
Receivables	11,676
Other assets	30,170
Cash and cash equivalents	6,849
Total assets	537,080
Insurance provisions and liabilities	430,489
<i>Of which investment risk is borne by policy holder</i>	75,357
Financial liabilities	42,316
Payables	10,494
Other liabilities	25,653
Shareholders' equity	26,177
Total liabilities and equity	537,080

Includes DAC asset

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Insurance Income Statement – In Detail

Gross earned premiums	62,876
Outward reinsurance premiums	(1,739)
Net earned premiums	61,137
Fees and other income	4,116
Investment return	18,115
Total income	83,418
Claims and changes in insurance provisions	62,472
Reinsurance recoveries	(1,619)
Net claims and changes in insurance contract liabilities	60,853
Fees and expenses	565
Acquisition and administration costs	10,473
Other expenses	5,332
Finance costs	2,685
Total expenses	79,908
Pre-tax profit	3,511
Tax expense	(1,147)
Net income	2,364

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