

Reading: Odomiok - Chapter 8/9
Model: 2017.Spring #9
Problem Type: statutory net income (version 2)

(Income Statement (Model - 2017.Fall Q9)) 01a-Question

Given

Liabilities, Surplus, and Other Funds	current year	prior year
* provision for reinsurance	343	309
surplus notes	103	103
gross paid-in & contributed surplus	6,100	1,900
PH surplus	69,280	47,700

	current year	prior year	* change
Nonadmitted Assets	839	334	-505

$$* \text{ change} = - [(\text{current year}) - (\text{prior year})]$$

Capital Gains/Losses	
realized gains on sales/maturity	69
other realized adjustments	4
total capital gain	73
* change in unrealized capital gain	-11
* change in unrealized foreign exchange	3

$$* \text{ change} = + [(\text{current year}) - (\text{prior year})]$$

dividends to policyholders	53
dividends to stockholders	1,880
cumulative effect of accounting principle change	-1,200

Find

statutory net income

$$NI_{CY} = 21,007$$

(Income Statement (Model - 2017.Fall Q9)) 01b-Answer

Apply the formula to find NI_{CY} :

$$\text{surplus}_{CY} = \text{surplus}_{CY-1} + NI_{CY} + (\text{direct charge to surplus})_{CY}$$

We know:

$$\begin{aligned} \text{surplus}_{CY} &= 69,280 \\ \text{surplus}_{CY-1} &= 47,700 \end{aligned}$$

The hard part is calculating: $(\text{direct charge to surplus})_{CY}$

The components are:

other surplus changes:

changes in unrealized capital gains	=	-11	
changes in unrealized foreign exchange	=	3	
changes in deferred income tax	=	0	
changes in nonadmitted assets	=	-505	<== sign reversed
changes in provision for reinsurance	=	-34	<== sign reversed
cumulative effect of accounting principle change	=	-1,200	

additional capital contributions

change in surplus notes	=	0
change in paid-in surplus	=	4,200

$$\text{stockholder dividends} = -1,880 \quad \text{<== sign reversed}$$

Finally: $(\text{direct charge to surplus})_{CY} = 573$ (sum the above items in blue)

It's now easy to solve for NI_{CY} : 21,007

Reading: Odomiok - Chapter 8/9
Model: 2017.Spring #9
Problem Type: statutory net income (version 2)

(Income Statement (Model - 2017.Fall Q9)) 02a-Question

Given

Liabilities, Surplus, and Other Funds	current year	prior year
* provision for reinsurance	333	338
surplus notes	105	100
gross paid-in & contributed surplus	7,900	800
PH surplus	51,970	45,270

	current year	prior year	* change
Nonadmitted Assets	801	432	-369

$$* \text{ change} = - [(\text{current year}) - (\text{prior year})]$$

Capital Gains/Losses	
realized gains on sales/maturity	67
other realized adjustments	1
total capital gain	68
* change in unrealized capital gain	-16
* change in unrealized foreign exchange	-5

$$* \text{ change} = + [(\text{current year}) - (\text{prior year})]$$

dividends to policyholders	11
dividends to stockholders	2,790
cumulative effect of accounting principle change	-1,000

Find

statutory net income

$$NI_{CY} = 3,770$$

(Income Statement (Model - 2017.Fall Q9)) 02b-Answer

Apply the formula to find NI_{CY} :

$$\text{surplus}_{CY} = \text{surplus}_{CY-1} + NI_{CY} + (\text{direct charge to surplus})_{CY}$$

We know:

$$\begin{aligned} \text{surplus}_{CY} &= 51,970 \\ \text{surplus}_{CY-1} &= 45,270 \end{aligned}$$

The hard part is calculating: $(\text{direct charge to surplus})_{CY}$

The components are:

other surplus changes:

changes in unrealized capital gains	=	-16	
changes in unrealized foreign exchange	=	-5	
changes in deferred income tax	=	0	
changes in nonadmitted assets	=	-369	<== sign reversed
changes in provision for reinsurance	=	5	<== sign reversed
cumulative effect of accounting principle change	=	-1,000	

additional capital contributions

change in surplus notes	=	5
change in paid-in surplus	=	7,100

$$\text{stockholder dividends} = -2,790 \text{ <== sign reversed}$$

Finally: $(\text{direct charge to surplus})_{CY} = 2,930$ (sum the above items in blue)

It's now easy to solve for NI_{CY} : 3,770