

CHAPTER 8. THE STATUTORY INCOME STATEMENT: INCOME AND CHANGES TO SURPLUS

While the balance sheet is of key importance to regulators and the focal point of statutory accounting, the income statement is of equal importance to the ongoing viability of an insurance company. The income statement illustrates the revenue, expenses and net income of an insurance company.

The income statement is presented on the top portion of the Statement of Income on page 4 of the Annual Statement and provides the three sources of income, before federal and foreign income taxes and dividends to policyholders, separately: underwriting income, investment income and other income.

A sample of the statutory income statement for the industry as of December 31, 2011, is presented in Table 4.¹⁹

TABLE 4²⁰

Statement of Income, Income Section: Total U.S. Property/Casualty Insurance Industry SNL Briefing Book – U.S. 2011 Statutory Financials, NAIC Format (USD in 000s)		
<u>Line</u>	<u>Description</u>	<u>Amount</u>
1.	Premiums earned	438,359,503
2.	Losses incurred	293,097,978
3.	Loss adjustment expenses incurred	55,157,144
4.	Other underwriting expenses incurred	123,917,023
5.	Aggregate write-ins for underwriting deductions	1,475,530
6.	Total underwriting deductions	473,647,676
8.	Underwriting income	(35,288,173)
9.	Net investment income earned	50,972,121
10.	Net realized capital gains (losses) less capital gains tax	7,576,459
11.	Investment income	58,548,034
12.	Net gain (loss) from agents' or premium balances charged off	(1,270,419)
13.	Finance and service charges not included in premiums	3,179,764
14.	Aggregate write-ins for miscellaneous income	401,701
15.	Other income	2,311,045
16.	Net income before dividends to policyholders and federal/foreign income tax	25,530,839
17.	Dividends to policyholders	2,315,009
19.	Federal and foreign income taxes incurred	3,030,418
20.	Net income	20,123,505

¹⁹ Accessed via SNL.com from SNL Financial LC.

²⁰ We recognize that line 9 plus line 10 sums to \$58,548,580. Further, line 16 minus lines 17 and 18 equals \$20,185,412. We have taken the data as accessed from SNL Financial LC without modification.