

This visual summary highlights key points from the IASA webinar presented by Drew Chmil of Tower Hill Insurance Group, explaining the purpose, structure, and regulatory importance of statutory financial statements, while emphasizing how they differ from GAAP and why they matter to insurers and regulators.

Statutory Accounting Priorities

Statutory Accounting Principles (SAP) prioritize:

- Solvency
- Liquidity
- Policyholder protection

Rather than focusing primarily on profitability like GAAP.

Key Differences from GAAP

- Conservative asset valuation methods
- Exclusion of certain non-liquid assets
- Surplus notes treated as equity instead of debt
- Focus on immediate financial stability rather than long-term profitability

Regulatory Monitoring

Regulators use statutory statements to monitor solvency through:

- Annual and quarterly filings
- Risk-Based Capital (RBC) ratios
- Insurance Regulatory Information System (IRIS) ratios

Core Financial Statements



Balance Sheet

Shows assets, liabilities, and surplus. Provides a snapshot of the insurer's financial position and ability to meet obligations to policyholders.



Income Statement

Comprehensive view of net income across all lines of business. Shows premium revenue, losses, expenses, and investment results.



Cash Flow Statement

Uses direct method (unlike GAAP's indirect method). Tracks actual cash movements from operations, investments, and financing activities.

Supporting Schedules



Schedule F

Reinsurance

Details all reinsurance agreements, recoverable amounts, and credit risk exposure.



Schedule P

Reserves

Provides triangular loss development data by line of business to assess reserve adequacy.



Schedules D & E

Investments

Details all bonds, stocks, and other investments with market and book values.

Key Regulatory Tools

RBC Ratio

Risk-Based Capital (RBC) ratio measures capital adequacy relative to risk.

Key regulatory threshold: RBC below 300% draws heightened regulatory scrutiny. Considers underwriting, credit, market, and operational risks.

IRIS Ratios

Insurance Regulatory Information System (IRIS) ratios: Set of financial ratios used to identify insurers that may require additional regulatory attention.

Includes profitability, liquidity, and reserve development metrics.

Best Practices



- Align asset and liability durations
- Monitor reserve adequacy regularly
- Meet strict reporting deadlines
- Maintain strong RBC ratios



- Leverage NAIC tools and resources
- Conduct peer benchmarking
- Use statutory statements as decision-making tools
- Build regulatory trust through transparency

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