

Note X. Permitted Statutory Accounting Practices

Property and Casualty Company, Inc., domiciled in ABC State, prepares its statutory financial statements in accordance with accounting practices prescribed or permitted by the ABC State Insurance Department. Prescribed statutory accounting practices include a variety of publications of the National Association of Insurance Commissioners (NAIC), as well as state laws, regulations, and general administrative rules. Permitted statutory accounting practices encompass all accounting practices not so prescribed.

The company received written approval from the ABC State Insurance Department to discount loss reserves at a rate of X percent for statutory accounting purposes, which differs from prescribed statutory accounting practices. Statutory accounting practices prescribed by ABC state require that loss reserves be discounted at Y percent. As of December 31, 19X3, that permitted transaction increased statutory surplus by \$XX million over what it would have been had prescribed accounting practice been followed.

RELEVANT LITERATURE**Statutory Accounting**

- NAIC Annual Statement Instructions
- *Issue Paper No. 5—Definition of Liabilities, Loss Contingencies and Impairments of Assets*
- *Issue Paper No. 55—Unpaid Claims, Losses and Loss Adjustment Expenses*

Generally Accepted Accounting Principles

- *Accounting Principles Board Opinion No. 22, Disclosure of Accounting Policies*
- *Accounting Research Bulletin No. 43, Chapter 2A, Form of Statements – Comparative Financial Statements*
- *AICPA Statement of Position No. 94-6, Disclosure of Certain Significant Risks and Uncertainties*
- *AICPA Statement of Position No. 94-5, Disclosure of Certain Matters in the Financial Statements of Insurance Enterprises*

State Regulations

- No additional guidance obtained from state statutes or regulations.