



Financial Analysis of Insurance Companies

Analyzing insurance companies is very different from analyzing other companies and thus presents unique challenges and industry specific issues. In this fast-paced two-day seminar, participants learn financial analytical techniques to assess financial strength and operating performance of property & casualty and life & health insurance companies domiciled in the United States.

Beginning with an industry overview and summary of accounting fundamentals for insurance companies, the seminar progresses to reviews & evaluations of the financial statements, including reinsurance, reserves, capital & surplus, investment valuation and impairment testing. This course provides an excellent foundation for evaluating insurance company financial statements, industry ratios, capital adequacy, regulatory issues, rating agency assessments, valuation, and early warning signs of financial distress.

Targeted Audience

Financial analysts, credit analysts, ratings analysts, underwriting managers, risk managers, technology managers, consultants, accountants, auditors, regulators, and others who seek a fundamental, yet comprehensive, understanding of the tools & techniques used to analyze an insurance company's financial condition and operating performance.

Special Offer

Clients who register for this course will receive a complimentary 4-month subscription to FT.com. The Financial Times is the world's most respected financial newspaper, providing a broad assessment on finance, business and the industrial sector. The move to the electronic version follows an ongoing review of our environmental responsibilities as a global business and as part of the Pearson group. FT.com also has features that are not available in hard copy, such as: Special Reports, Alphaville, editor blogs, education sections and much more! Subscriptions will start within 6-8 weeks of the start of class and are limited to one subscription per client. (Please note: as of May 1, 2011, the electronic subscription replaces the hard-copy 3-month Financial Times subscription.)

Advance Preparation

No advance preparation required.

Prerequisites

A basic understanding of U.S. GAAP accounting principals and property/casualty & life/health insurance products (including annuities). Financial calculator required.

Learning Objectives

Students will be able to:

- . Describe major industry trends and challenges
- . Explain the insurance industry's regulatory environment
- . Describe the operating cycle of an insurance company
- . Compare and contrast statutory and U.S. GAAP accounting
- . Describe the impairment tests for invested assets
- . Differentiate between loss reserves, policy reserves, UPR and IBNR reserves
- . Identify the components on an insurer's capital and surplus
- . Describe the nature and purpose of reinsurance
- . Identify the key elements of risk transfer in a reinsurance agreement
- . Conduct ratio analysis to assess an insurer's financial condition and results
- . Explain the methodologies used by rating agencies
- . Describe the key components of the NAIC's risk-based capital (RBC) formula
- . Identify warning signs of an insurer experiencing financial distress
- . Predict how changes in key variables might affect an insurer's financial results
- . Describe how insurance companies manage financial risk
- . Describe the impact of international accounting (IFRS) on the insurance industry
- . Refresh your knowledge of key insurance terms and concepts.

Alumni Comments

"This course covers a topic that is otherwise difficult to find or is found only in books."

"Great overview of the quirks of analyzing insurance companies!"

Level: Basic

CPE Credits: 14.0

Instructional Method: Group-Live

Detailed Outline

Day One

Introduction

- . Industry overview and analysis
- . Recent scandals and shenanigans
- . Emerging issues and challenges

Regulatory Environment

- . Evolution & Background
- . Role of the NAIC
- . State vs. federal regulation
- . Likely outcomes of recent financial crisis

The Insurance Operating Cycle

- . Premiums
- . Claims
- . Reserving
- . Investment income
- . Operating expenses
- . Adjustments

Statutory vs. GAAP Comparisons

- . Solvency vs. going concern concept
- . Admitted vs. non-admitted assets
- . Reserving methods
- . Statutory liabilities

Day Two

Reinsurance Transactions

- . Reasons for reinsurance
- . Types of reinsurance
- . Affect of reinsurance on operations
- . Reinsurance assets
- . Reinsurance liabilities
- . SAP vs. GAAP differences
- . Finite risk reinsurance
- . Testing for risk transfer
- . Accounting for finite reinsurance

Financial & Rating Agency

Measures

- . Capacity ratios
- . Liquidity ratios
- . Leverage ratios
- . Profitability ratios
- . Affect of holding companies
- . Financial ratings: What do they mean?

Capital Adequacy Analysis

- . Statutory solvency analysis
- . NAIC's risk-based capital (RBC)

- . Acquisition costs
- . Revenues & expenses
- . Capital & surplus

Asset Valuation

- . Invested assets: bonds, stocks, real estate, mortgage loans, receivables, deferred taxes, goodwill and intangibles
- . Impairment tests
- . Receivables
- . Deferred acquisition costs (DAC)

Liability Valuation

- . Case & IBNR reserves
- . Policyholder benefits
- . Claim reserves
- . Annuity reserves
- . Loss adjustment expense (LAE)
- . Unearned premium reserve (UPR)
- . Deposit liabilities

Capital & Surplus

- . Capital stock
- . Surplus notes
- . Unassigned funds
- . Treasury stock
- . Risk-based capital (RBC)

formula

- . Rating agency capital adequacy measures (BCAR)
- . Warning signs of financial difficulties

Risk Management & Hedging

- . Rising importance of ALM
- . Types of risks
- . Hedging programs

Mergers & Acquisitions

- . Recent M&A activity
- . Valuation approaches
- . Assumption reinsurance transfers

Financial Forecasting

- . Correlating combined ratios with ROE goals
- . Life & health forecasting methods
- . Economic value analysis

IFRS: A Looming Challenge

- . Evolution and background
- . Insurance Project Phase I
- . Insurance Project Phase II
- . Exposure draft
- . Industry comments
- . Current developments

For more information regarding administrative policies such as complaints and refunds, please contact our offices at 212-641-6616.