



Analysis of Surplus - General Guidelines:

The analysis of surplus form allocates net surplus into component parts since inception of the company, exclusive of capital. The main purpose of this form is to determine the amount of earned surplus.

Positive earned surplus is required before dividends can be paid under TX Insurance Code articles 21.31, 21.32 and 21.32A. Exclusive of capital, surplus is viewed in two broad categories - it is either contributed or it is earned. The form is basically structured in 3 parts; (a) earnings (lines 1 - 12), (b) surplus contributions (lines 16-18), and (c) unrealized gains and losses (lines 21, 22, 23, 24). To calculate earned surplus add lines 1 – 12. There may be other transactions that also affect earnings, but are not included in current year earnings lines 1-12, such as prior period adjustments. These would be write-in items and would be added to the earned surplus calculation. This form excludes unrealized gains and losses and change in net deferred income tax in the calculation from earned surplus.

Note: Some items on this form require historical information (e.g. net income), while other information can be derived from the annual statement itself as a change from one period to another (e.g. nonadmitted assets).