

IRIS RATIOS:
INSURANCE
REGULATORY
INFORMATION
SYSTEM



IRIS RATIOS



Purpose: Solvency tool to screen and analyze financial condition of insurers. Designed to assist but not replace solvency monitoring efforts



How: Takes information from statutory annual financial statements and creates common ratios



What: 13 Ratios



Significance: Usual ranges for each ratio, but unusual results are not necessarily bad

Ratio Ranges

		Unusual	
		Values Equal	to or
Ratio		Over	Under
1.	Gross Premiums Written to Policyholders' Surplus	900	---
2.	Net Premiums Written to Policyholders' Surplus	300	---
3.	Change in Net Premiums Written	33	-33
4.	Surplus Aid to Policyholders' Surplus	15	---
5.	Two-Year Overall Operating Ratio	100	---
6.	Investment Yield	5.5	2.0
7.	Gross Change in Policyholders' Surplus	50	-10
8.	Change in Adjusted Policyholders' Surplus	25	-10
9.	Adjusted Liabilities to Liquid Assets	100	---
10.	Gross Agents' Balances (in collection) to Policyholders' Surplus	40	---
11.	One-Year Reserve Development to Policyholders' Surplus	20	---
12.	Two-Year Reserve Development to Policyholders' Surplus	20	---
13.	Estimated Current Reserve Deficiency to Policyholders' Surplus	25	---

IRIS RATIO 1, 2, AND 3

- 1. Gross Premiums Written to Policyholders' Surplus
 - Does the insurer have enough capital to support the business it writes directly and assumes (not taking into account reinsurance)? >900%
- 2. Net Premiums Written to Policyholders' Surplus
 - Does the insurer have enough capital to support the business it writes on a net basis (taking into account reinsurance)? >300%
- 3: Change in Net Premiums Written
 - Has the insurer growing or shrinking too fast? Below 33% and above negative 33%

IRIS RATIO 4, 5, 6

4: Surplus Aid to Policyholders' Surplus

How much of the insurers policyholders' surplus is helped from ceding unearned premiums and receiving ceding commissions? <15%

5: Two-Year Overall Operating

Over the past two years has the company been profitable taking into consideration investment income? 100%>

6: Investment Yield

What has been the insurers return on invested assets? Between 5.5% and 2.0%

IRIS RATIO 7, 8 AND 9

7: Gross Change in Surplus

- Has the insurer's policyholders' surplus changed significantly (increased more than 50% or decreased more than 10%)

8: Change in Adjusted Surplus

- Same as ratio 7 but changes due to changes in capital are removed (increased by more than 25% or decreased by more than 10%)

9: Adjusted Liabilities to Liquidity

- Does the insurer have enough liquid assets to meet its liabilities (less than 100%)

IRIS RATIO 10, 11, 12 AND 13

I0: Gross Agents' Balances to Surplus

How large are premium receivables compared to policyholders' surplus <40%

I1: One-Year Reserve Development to Surplus

Was the reserve development a significant amount of prior year policyholder's surplus >20%

I2: Two-Year Reserve Development to Surplus

Was the reserve development a significant amount of second year prior policyholder's surplus >20%

I3: Estimated Current Reserve Development to Surplus

Estimated impact of reserve strengthening on current policyholders' surplus <25%

