

Reasons Why Fundamental Accounting Concept¹ Test Fails

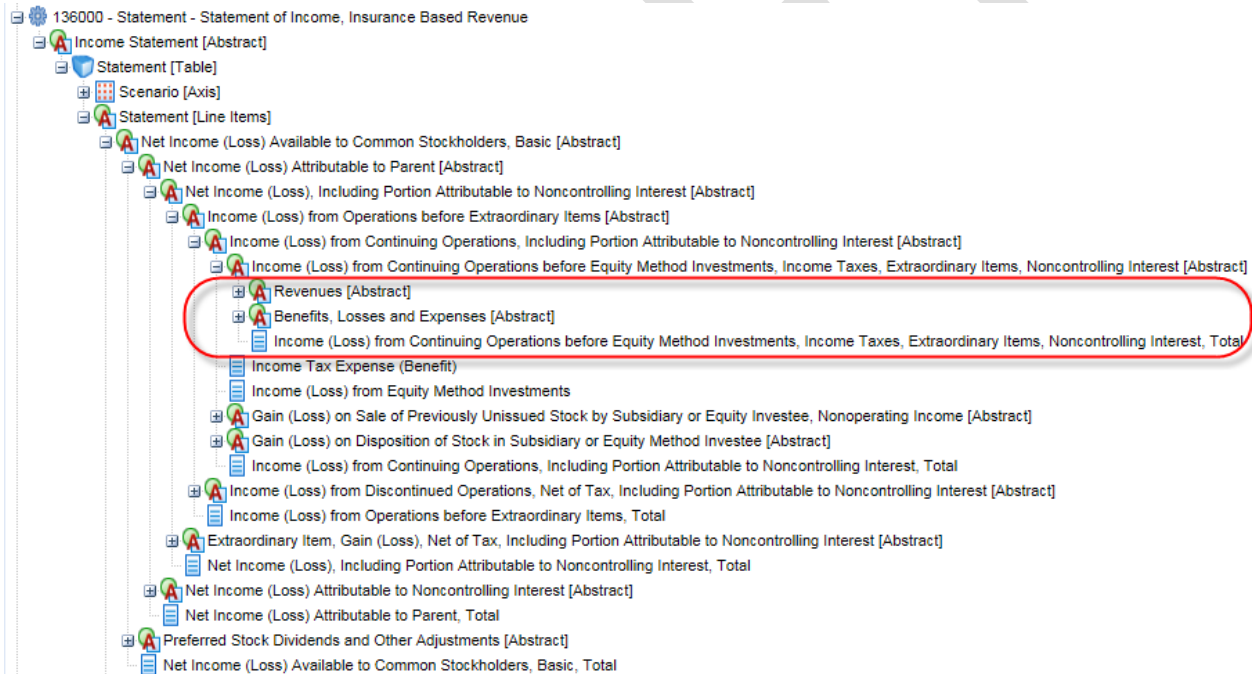
Insurance Based Revenues

$$\text{IncomeLossFromContinuingOperationsBeforeTax} = (\text{Revenues} - \text{CostsAndExpenses})$$

Insurance based revenues is used by most insurance companies to report their income statement. The area of the income statement which is different from a commercial and industrial company is in the following relation:

- (+) Revenues
- (-) Costs and expenses (i.e. Benefits, Losses and Expenses)
- (=) Income (loss) from Continuing Operations before Tax

This is the structure of the statement of income, insurance based revenues in the US GAAP XBRL Taxonomy:



Insurance based revenue reporting is used by approximately 50 insurance companies.

The income statement provides an example of insurance based revenues reporting in the income statement:

http://www.sec.gov/cgi-bin/viewer?action=view&cik=1042046&accession_number=0001042046-14-000031&xbri_type=v#

¹ For more information on the fundamental accounting concepts and the relations between these concepts please see <http://fundamentalaccountingconcepts.wikispaces.com>

Consolidated Statement of Earnings (Unaudited) (USD \$) In Millions, except Per Share data, unless otherwise specified	3 Months Ended		6 Months Ended	
	Jun. 30, 2014	Jun. 30, 2013	Jun. 30, 2014	Jun. 30, 2013
Revenues:				
Property and casualty insurance net earned premiums	\$ 931	\$ 709	\$ 1,685	\$ 1,396
Life, accident and health net earned premiums	27	28	55	58
Net investment income	379	332	740	658
Realized gains on securities	12	41	31	98
Income (loss) of managed investment entities:				
Investment income	27	32	55	66
Loss on change in fair value of assets/liabilities	(10)	(28)	(10)	(36)
Other income	26	25	47	47
Total revenues	1,392	1,139	2,603	2,287
Costs and Expenses:				
Property and casualty insurance: Losses and loss adjustment expenses	602	430	1,031	823
Property and casualty insurance: Commissions and other underwriting expenses	300	260	567	511
Annuity benefits	166	120	334	254
Life, accident and health benefits	39	38	82	78
Annuity and supplemental insurance acquisition expenses	41	52	76	88
Interest charges on borrowed money	17	18	35	36
Expenses of managed investment entities	21	24	41	46
Other expenses	76	71	146	150
Total costs and expenses	1,262	1,013	2,312	1,986
Earnings before income taxes	130	126	291	301
Provision for income taxes	47	49	101	111
Net earnings, including noncontrolling interests	83	77	190	190
Less: Net loss attributable to noncontrolling interests	(23)	(33)	(19)	(40)
Net Earnings Attributable to Shareholders	106	110	209	230

Total revenues	1,392	1,139	2,603
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- Definition
Amount of revenue recognized from goods sold, services rendered, insurance premiums, or other activities that constitute an earning process. Includes, but is not limited to, investment and interest income before deduction of interest expense when recognized as a component of revenue, and sales and trading gain (loss).

+ References

- Details

Name: us-gaap_Revenues
Namespace Prefix: us-gaap_
Data Type: xbrli:monetaryItemType
Balance Type: credit

Total costs and expenses	1,262	1,013	2,312	1,986
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- Definition
The total amount of expense recognized during the period for future policy benefits, claims and claims adjustment costs, and for selling, general and administrative costs.

+ References

- Details

Name: us-gaap_BenefitsLossesAndExpenses
Namespace Prefix: us-gaap_
Data Type: xbrli:monetaryItemType
Balance Type: debit
Period Type: duration

Average number of Common Shares:

Although the details of what make up “revenues” and “costs and expenses” (called benefits, losses and expenses, a different concept than us-gAAP:CostsAndExpenses) are very different, these two concepts are the only real difference between the way an insurance company reports and a commercial and industrial company reports on the income statement.

The cash flow statement has the same fundamental accounting concepts as a commercial and industrial company. The balance sheet of an insurance company is generally unclassified, not distinguishing between current and noncurrent assets and liabilities.

Each of these is considered good examples as they contain no nonconformance issues related to the fundamental accounting concepts. Approximately 65% of all insurance companies conform to 100% of the fundamental accounting concept relations for **insurance based revenue**:

CIK	EntityRegistrantName	SEC Filing Page
0001122304	AETNA INC /PA/	http://www.sec.gov/Archives/edgar/data/1122304/000112230414000126/0001122304-14-000126-index.htm
0000004977	AFLAC INC	http://www.sec.gov/Archives/edgar/data/4977/000000497714000095/0000004977-14-000095-index.htm
0001163348	Allied World Assurance Co Holdings, AG	http://www.sec.gov/Archives/edgar/data/1163348/000116334814000007/0001163348-14-000007-index.htm
0000874501	AMBAC FINANCIAL GROUP INC	http://www.sec.gov/Archives/edgar/data/874501/000087450114000044/0000874501-14-000044-index.htm
0001039828	AMERICAN EQUITY INVESTMENT LIFE HOLDING CO	http://www.sec.gov/Archives/edgar/data/1039828/000103982814000100/0001039828-14-000100-index.htm
0001042046	AMERICAN FINANCIAL GROUP INC	http://www.sec.gov/Archives/edgar/data/1042046/000104204614000031/0001042046-14-000031-index.htm
0000097196	American Independence Corp.	http://www.sec.gov/Archives/edgar/data/97196/000009719614000021/0000097196-14-000021-index.htm
0000005272	AMERICAN INTERNATIONAL GROUP INC	http://www.sec.gov/Archives/edgar/data/5272/000000527214000010/0000005272-14-000010-index.htm
0000783603	AMERICAN SAFETY INSURANCE HOLDINGS LTD	http://www.sec.gov/Archives/edgar/data/783603/00011931251327069/0001193125-13-327069-index.htm
0001018979	AMERISAFE INC	http://www.sec.gov/Archives/edgar/data/1018979/000119312514291449/0001193125-14-291449-index.htm
0001091748	Argo Group International Holdings, Ltd.	http://www.sec.gov/Archives/edgar/data/1091748/000119312514298285/0001193125-14-298285-index.htm
0001267238	ASSURANT INC	http://www.sec.gov/Archives/edgar/data/1267238/000119312514284627/0001193125-14-284627-index.htm
0000008177	ATLANTIC AMERICAN CORP	http://www.sec.gov/Archives/edgar/data/8177/000114036114031839/0001140361-14-031839-index.htm
0000727920	AXA EQUITABLE LIFE INSURANCE CO	http://www.sec.gov/Archives/edgar/data/727920/000119312514300424/0001193125-14-300424-index.htm
0000009346	BALDWIN & LYONS INC	http://www.sec.gov/Archives/edgar/data/9346/000000934614000023/0000009346-14-000023-index.htm
0001067983	BERKSHIRE HATHAWAY INC.	http://www.sec.gov/Archives/edgar/data/1067983/000119312514291724/0001193125-14-291724-index.htm
0000020171	CHUBB CORP	http://www.sec.gov/Archives/edgar/data/20171/000119312514300782/0001193125-14-300782-index.htm
0000020286	CINCINNATI FINANCIAL CORP	http://www.sec.gov/Archives/edgar/data/20286/000002028614000031/0000020286-14-000031-index.htm
0000024090	CITIZENS INC	http://www.sec.gov/Archives/edgar/data/24090/000002409014000012/0000024090-14-000012-index.htm
0001224608	CNO Financial Group, Inc.	http://www.sec.gov/Archives/edgar/data/1224608/000122460814

CIK	EntityRegistrantName	SECfilingPage
		000038/0001224608-14-000038-index.htm
0000800457	DONEGAL GROUP INC	http://www.sec.gov/Archives/edgar/data/800457/000119312514299700/0001193125-14-299700-index.htm
0001321268	Eastern Insurance Holdings, Inc.	http://www.sec.gov/Archives/edgar/data/1321268/000119312513420816/0001193125-13-420816-index.htm
0000356130	EMC INSURANCE GROUP INC	http://www.sec.gov/Archives/edgar/data/356130/000035613014000110/0000356130-14-000110-index.htm
0001179755	Endurance Specialty Holdings Ltd.	http://www.sec.gov/Archives/edgar/data/1179755/000119312514300199/0001193125-14-300199-index.htm
0001363829	Enstar Group LTD	http://www.sec.gov/Archives/edgar/data/1363829/000119312514305022/0001193125-14-305022-index.htm
0000922621	ERIE INDEMNITY CO	http://www.sec.gov/Archives/edgar/data/922621/00009226211400029/0000922621-14-000029-index.htm
0000914748	EVEREST REINSURANCE HOLDINGS INC	http://www.sec.gov/Archives/edgar/data/914748/00009147481400015/0000914748-14-000015-index.htm
0001069996	FEDERATED NATIONAL HOLDING CO	http://www.sec.gov/Archives/edgar/data/1069996/000114036114031642/0001140361-14-031642-index.htm
0001472787	First American Financial Corp	http://www.sec.gov/Archives/edgar/data/1472787/000156459014002880/0001564590-14-002880-index.htm
0001395585	First Trinity Financial CORP	http://www.sec.gov/Archives/edgar/data/1395585/000143774914015337/0001437749-14-015337-index.htm
0001494904	GLOBAL INDEMNITY PLC	http://www.sec.gov/Archives/edgar/data/1494904/000119312514302780/0001193125-14-302780-index.htm
0000100716	Unico American Corporation	http://www.sec.gov/Archives/edgar/data/100716/00001007161400020/0000100716-14-000020-index.htm

DRAFT

A wide majority of filers use the concept us-gaap:BenefitsLossesAndExpenses:

CostsAndExpenses	Count
us-gaap:BenefitsLossesAndExpenses	39
us-gaap:CostsAndExpenses	5
us-gaap:OperatingExpenses	4
Extension concept created or total not reported	3
us-gaap:OperatingCostsAndExpenses	1

A minority of filers use the concept *us-gaap:CostsAndExpenses* rather than *us-gaap:BenefitsLossesAndExpenses* to report total expenses:

http://www.sec.gov/cgi-bin/viewer?action=view&cik=100716&accession_number=0000100716-14-000020&xbri_type=v#

Consolidated Statements of Operations (USD \$)	3 Months Ended		6 Months Ended	
	Jun. 30, 2014	Jun. 30, 2013	Jun. 30, 2014	Jun. 30, 2013
Consolidated Statements Of Operations				
Net premium earned	\$ 6,484,354	\$ 6,757,719	\$ 12,872,595	\$ 13,447,236
Investment income	29,891	110,874	61,158	232,163
Other income	340,321	46,460	595,752	280,166
Total Insurance Company Revenues	6,854,566	6,915,053	13,529,505	13,959,565
Gross commissions and fees	749,045	829,399	1,483,608	1,711,913
Investment income	206	573	283	944
Finance fees earned	15,951	17,707	33,371	37,325
Other income	2,000	502	15,112	3,270
Total Revenues	7,621,768	7,763,234	15,061,879	15,713,017
Losses and loss adjustment expenses	3,647,765	3,890,736	6,540,115	8,447,186
Policy acquisition costs	1,471,068	1,543,767	2,947,800	2,977,837
Salaries and employee benefits	1,271,221	1,286,220	2,553,149	2,549,623
Commissions to agents/brokers	54,230	62,220	98,069	122,848
Other operating expenses	775,163	594,220	1,614,088	1,173,274
Total Expenses	7,219,447	7,377,163	13,753,221	15,270,768
Income before income taxes	402,321	386,071	1,308,658	442,249
Income Tax Expense	132,315	135,864	446,869	183,706
Net Income	\$ 270,006	\$ 250,207	\$ 861,789	\$ 258,543

Other operating expenses	775,163	594,220	1,614,088
Total Expenses	7,219,447	7,377,163	13,753,221
- Definition			X 1,308,658
Total costs of sales and operating expenses for the period.			446,869
			\$ 861,789
+ References			\$ 0.16
- Details			5,341,147
Name:	us-gaap_CostsAndExpenses		\$ 0.16
Namespace Prefix:	us-gaap_		5,345,280
Data Type:	xbri:monetaryItemType		
Balance Type:	debit		
Period Type:	duration		

What this rule tests

This rule tests the relationship between three very common line items of a financial report:

- Equity attributable to parent
- Equity attributable to noncontrolling interest
- Equity

If a reporting entity has no equity attributable to noncontrolling interest, then equity attributable to parent and equity are the same as there is no equity in noncontrolling interest.

Of all filers, approximately 98.6% pass this test. Of the remaining 1.4%, the following are the reasons this test is failed:

- Equity attributable to parent entered with the wrong polarity (30% of failures)
- Concepts used for equity attributable to parent and equity have been reversed (30% of failures)
- Equity or equity attributable to parent concept was not reported and could not be imputed
- Undetermined reasons

Common reasons why test fails

Uses incorrect concept.

http://www.sec.gov/cgi-bin/viewer?action=view&cik=1528610&accession_number=0001144204-14-048933&xbrl_type=v#

CONSOLIDATED STATEMENTS OF INCOME (LOSS) (USD \$)	3 Months Ended		6 Months Ended	
	Jun. 30, 2014	Jun. 30, 2013	Jun. 30, 2014	Jun. 30, 2013
INTEREST AND DIVIDEND INCOME				
Loans receivable	\$ 2,346,068	\$ 2,087,758	\$ 4,689,669	\$ 4,138,756
Investment securities	428,834	477,384	869,375	973,861
Other interest and dividend income	51,934	3,455	95,975	8,274
Total interest and dividend income	2,826,836	2,568,597	5,655,019	5,120,891
INTEREST EXPENSE				
Deposits	418,886	412,577	844,361	833,356
FHLB advances - long term	371,979	164,376	739,871	325,814
Advances by borrowers for taxes and insurance	913	745	1,861	3,472
Total interest expense	791,778	577,698	1,586,093	1,162,642
NET INTEREST INCOME BEFORE PROVISION FOR LOAN LOSSES	2,035,058	1,990,899	4,068,926	3,958,249
Provision for loan losses	34,158	25,000	49,158	113,817
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	2,000,900	1,965,899	4,019,768	3,844,432
NONINTEREST INCOME				
Service fees on deposit accounts	32,947	35,082	63,634	65,903
Earnings on bank-owned life insurance	1,906	7,984	3,808	14,179
Gain on sale of loans, net	1,019,753	1,418,250	1,609,916	2,581,243
Rental income	69,179	70,272	139,681	145,130
Other	3,083	57,510	146,837	88,998
Total noninterest income	1,126,868	1,589,098	1,963,876	2,895,453
NONINTEREST EXPENSE				
Compensation and employee benefits	1,853,163	2,133,195	3,435,459	4,127,240
Occupancy and equipment	347,495	350,383	756,501	699,324
Federal deposit insurance premiums	85,608	78,039	170,716	155,315
Data processing expense	109,585	108,552	221,617	207,203
Professional fees	141,791	175,263	270,124	332,615
Other	518,460	642,555	1,096,105	1,254,038
Total noninterest expense	3,056,102	3,487,987	5,950,522	6,775,735
Income (loss) before income tax expense (benefit)	71,666	67,010	33,122	(35,850)
Income tax expense (benefit)	29,366	20,107	21,262	(16,972)
NET INCOME (LOSS)	\$ 42,300	\$ 46,903	\$ 11,860	\$ (18,878)

insurance			
total interest expense	791,778	577,698	1,586,093
- Definition			X 068,926
Interest expense on all other items not previously classified. For example, includes dividends associated with redeemable preferred stock of a subsidiary that is treated as a liability in the parent's consolidated balance sheet.			49,158
+ References			019,768
- Details			63,634
Name: us-gaap_InterestExpenseOther			3,808
Namespace Prefix: us-gaap			609,916
Data Type: xbrli:monetaryItemType			139,681
Balance Type: debit			146,837
Period Type: duration			