















period of the contract. It should be revised to reflect current experience. However, if the ultimate premium cannot be reasonably estimated, the cost-recovery method or the deposit method may be used until the ultimate premium becomes reasonably estimable. Under the cost-recovery method, premiums are recognized as revenue in amounts equal to estimated claims as insured events occur until the ultimate premium is reasonably estimable, and recognition of income is postponed until then. Under the deposit method, premiums are not recognized as revenue and claims are not charged to expense until the ultimate premium is reasonably estimable, and income recognition is postponed until that time.

## RELEVANT LITERATURE

### Statutory Accounting

- Statutory Accounting Principles Statement of Concepts and Statutory Hierarchy
- Accounting Practices and Procedures Manual for Property and Casualty Insurance Companies, Chapters 12 and 14
- *Issue Paper No. 4—Definition of Assets and Nonadmitted Assets*
- *Issue Paper No. 5—Definition of Liabilities, Loss Contingencies and Impairments of Assets*
- *Issue Paper No. 6—Amounts Due From Agents and Brokers*
- *Issue Paper No. 10—Uncollected Premium Balances*
- *Issue Paper No. 50—Classifications and Definitions of Insurance Contracts In Force*
- Minutes of the December 3, 1990 meeting of the Emerging Accounting Issues Working Group

### Generally Accepted Accounting Principles

- *FASB Statement No. 60, Accounting and Reporting by Insurance Enterprises*
- *AICPA Audit and Accounting Guide: Audits of Property and Liability Insurance Companies, Section 3.32, Revenue Recognition*

### State Regulations

- No further guidance obtained from state statutes or regulations.