

Statutory Issue Paper No. 94

Allocation of Expenses

STATUS

Finalized March 16, 1998

Original SSAP and Current Authoritative Guidance: SSAP No. 70

Type of Issue:

Common Area

SUMMARY OF ISSUE

1. Expenses involved in acquiring and underwriting policies and servicing policyholders and third-party claimants are important elements of a reporting entity's operations. Uniformity in the classification, allocation and reporting of expenses and expense statistics by reporting entities within the same industry is critical in a regulatory environment and is consistent with both the Statutory Accounting Principles Statement of Concepts and Statutory Hierarchy (Statement of Concepts) and the FASB Statements of Financial Accounting Concepts (GAAP Statement of Concepts). Such uniformity is necessary for the effective review of operations of a specific entity, comparisons across the industry and control/regulation of the industry.

2. Current statutory accounting is outlined in the Accounting Practices and Procedures Manuals for Property and Casualty and for Life and Accident and Health Insurance Companies (P&C Accounting Practices and Procedures Manual and Life/A&H Accounting Practices and Procedures Manual) and in the NAIC Annual Statement Instructions (Annual Statement Instructions).

3. This issue paper establishes rules on presentation and allocation of certain expenses of reporting entities into general categories and the apportionment of shared expenses between members of a group of companies. The scope of this issue paper is limited to the general categories. Disclosure in notes or exhibits to the financial statements is required for principal components of those categories.

SUMMARY CONCLUSION

4. This paper establishes uniform expense allocation rules to classify expenses within prescribed principal groupings. It is necessary to allocate those expenses which may contain characteristics of more than one classification, which this issue paper will refer to as allocable expenses.

5. Allocable expenses for property and casualty insurance companies shall be classified into one of three categories on the Underwriting and Investment Exhibit as follows:

- Loss adjustment expenses - Expenses incurred in the adjusting, recording and paying of claims (including expenses associated with commutations).
- Investment expenses - Expenses incurred in the investing of funds and pursuit of investment income. Such expenses include those specifically identifiable and allocated costs related to activities such as initiating and handling orders, researching and recommending investments (i.e., investment strategy), appraising, valuing, disbursing funds and collecting income, securities safekeeping, real estate taxes, records maintenance, data processing, support personnel, postage and supplies, office overhead, management and executive duties and all other functions reasonably associated with the investment of funds.

- Other underwriting expenses - Allocable expenses other than loss expenses and investment related expenses.

6. Similarly for life and accident and health insurers allocable expenses shall be categorized as general insurance expenses; insurance taxes, licenses and fees; or investment expenses which are netted against investment income on the Summary of Operations.

7. Allocation to the above categories should be based on a method that yields the most accurate results. Specific identification of an expense with an activity that is represented by one of the categories above will generally be the most accurate method. Where specific identification is not feasible allocation of expenses should be based upon pertinent factors or ratios such as studies of employee activities, salary ratios or similar analyses.

8. Allocation may be entirely to one expense category based upon the type of expense incurred, for example, premium taxes would be 100% allocated to Other Underwriting Expenses for property and casualty companies. Other expenses may be allocated across several categories, such as salaries, which may be allocated to both general insurance expenses and net investment income of a life and accident and health company.

9. Many entities operate within a group where personnel and facilities are shared. Shared expenses, including expenses under the terms of a management contract, shall be apportioned to the entities incurring the expense as if the expense had been paid solely by the incurring entity. The apportionment shall be completed based upon specific identification to the entity incurring the expense. Where specific identification is not feasible apportionment shall be based upon pertinent factors or ratios. Any basis adopted to apportion expenses shall be that which yields the most accurate results and may result from special studies of employee activities, salary ratios, premium ratios or similar analyses. Expenses that relate solely to the operations of a reporting entity, such as personnel costs associated with the adjusting and paying of claims, must be borne solely by the reporting entity and are not to be apportioned to other entities within a group. Pertinent factors in making this determination shall include which entity has the ultimate obligation to pay the expense. Apportioned expenses are subject to presentation and allocation as provided in paragraphs 5 through 8.

10. Any material individual component of the reported expense categories shall be presented either on the face of the Summary of Operations or within the footnotes or related exhibits to the financial statements.

DISCUSSION

11. The summary conclusions outlined above were formulated based upon, and are consistent with, current statutory accounting practices and procedures as set out in the P&C and Life/A&H Accounting Practices and Procedures Manuals, the Annual Statement Instructions and additional guidance contained in the Financial Condition Examiners Handbook. The conclusions are also consistent with the Statutory Statements of Concepts which states the following:

SAP utilizes the framework established by GAAP.

Consistency

The regulators' need for meaningful, comparable financial information to determine an insurer's financial condition requires consistency in the development and application of statutory accounting principles.

The conclusions are also consistent with the GAAP Statements of Concepts which are excerpted in paragraphs 16 and 17.

12. The exhibits to the annual statement display the effects of allocation of allocable expenses to the various categories as well as provide an appropriate level of detail as to the nature of the classifications of expenses being allocated. The disclosure required by Paragraph 10 provides disclosure as to the nature of the significant allocable expenses in those circumstances where the accompanying exhibits are not part of the company's financial statements (e.g. annual audit report) and is not intended to provide duplicative presentation in the annual statement filings.

Drafting Notes/Comments

- *Issue Paper No. 55—Unpaid Claims, Losses and Loss Adjustment Expenses*, defines and discusses losses and loss adjustment expenses.
- Detailed classification tables, which are included in current statutory guidance for property and casualty companies, are not included in this issue paper. Such guidance is not considered necessary for the establishment of accounting standards/policies.

RELEVANT STATUTORY ACCOUNTING AND GAAP GUIDANCE

Statutory Accounting

13. The P&C Accounting Practices and Procedures Manual, Chapter 19, Expenses, provides the following guidance:

In the insurance industry, there are expenses involved in acquiring and underwriting policies and servicing the policyholders and third party claimants. These expenses will be discussed in this chapter. (Commissions are discussed in Chapter 18.)

Regulation Number 30, called the "Uniform Classification of Expenses of Fire and Marine and Casualty and Surety Insurer," was effective January 1, 1949, for licensed New York companies. The NAIC prescribed similar uniform accounting instructions for expense reporting effective January 1, 1949. These acts brought uniformity to the industry.

This uniformity is helpful since expenses are important elements of the company's operations and accurate statistics are needed for comparisons and control. The instructions for uniform classification of expenses are a part of the NAIC *Examiners Handbook—Volume I*.

Expense Group Classifications

Expenses for fire and casualty insurance companies are allocated to expense groups as follows:

A. Loss Adjustment Expenses

Loss adjustment expenses constitute expenses incurred in connection with the adjusting, recording, and paying of claims. (See Chapter 17-Loss and Loss Adjustment Expenses Incurred.)

B. Other Underwriting Expenses

Other underwriting expenses are classified into three categories as follows:

1. Acquisition, Field Supervision, and Collection Expenses

Acquisition costs consist of all expenses incurred in relation to the production of new and renewal insurance business. Also included are specifically identifiable and allocated expenses relating to the following activities: commissions, bonuses, allowances, and other compensation paid to agents and brokers; operating costs for agencies or branch offices; training agents and brokers; underwriting new risks; issuing new policies; receiving and paying of premiums and commissions; maintaining general and detailed records; data processing; advertising and publicity; clerical, secretarial, office maintenance, supervisory, and executive duties; postage and supplies; and all other functions reasonably associated with the production of new and renewal insurance business, such as premium collection.

2. General Expenses

This category includes all expenses not assignable to other expense groups.

3. Taxes, Licenses, and Fees

These are state and local insurance taxes, insurance department licenses and fees, allocable payroll taxes, and all other taxes excluding federal and foreign income and real estate taxes.

All other taxes might include: (1) qualifying bond premiums; (2) statement publication fees; (3) advertising required by law; (4) personal property taxes; (5) state income taxes; (6) capital stock taxes; (7) business or corporation licenses or fees; (8) marine profits taxes; (9) documentary stamps on reinsurance; (10) guaranty association assessments; and (11) any other taxes.

Real estate taxes on investment properties are generally included with investment expenses, and capital stock taxes and apportioned payroll taxes may be reported as investment expenses.

C. Investment Expenses

These comprise expenses incurred in the investing of funds and the pursuit of investment income, including specifically identifiable and allocated expenses related to such activities as: initiating or handling orders and recommendations for investments; research; pricing; appraising and valuing; disbursing funds and collecting income; safekeeping of securities and valuable papers; maintaining general and detailed records; data processing; general clerical, secretarial, office maintenance, supervisory, and executive duties; supplies, postage, and the like; and all other functions reasonably attributable to the investment of funds.

Allocation of Expenses to Expense Groups

Some general guidelines for allocating to expense groups are shown in the following table. The expenses shown are those in the annual statement.

TABLE 19

General Guidelines for Classifying Expenses

<u>Expenses to be Allocated to Expense Groups</u>	<u>Principal Basis for Allocation</u>
Claim adjustment services	Direct charge to loss adjustment expense
Commission and brokerage	Direct charge to other underwriting acquisition
Advertising	Direct charge to other underwriting acquisition
Boards, bureaus, associations	Direct charge to other underwriting - general
Surveys and underwriting reports	Direct charge to other underwriting - general
Audit of insureds' records	Direct charge to other underwriting - general
Salaries	Studies of employee activities
Employee relations and welfare	Pro rate on salary ratios
Insurance	Pro rate on salary ratios
Directors' fees	Pro rate on salary ratios
Travel and travel items	Special studies
Rent and rent items	Pro rate on salary ratios
Equipment	Pro rate on salary ratios
Printing and stationery	Pro rate on salary ratios
Postage, telephone and telegraph, exchange and express	Pro rate on salary ratios
Legal and auditing	Special studies
Taxes, licenses, and fees (Except payroll taxes)	Special studies
Real estate expenses	Investment expenses
Real estate taxes	Investment expenses
Miscellaneous	Special studies

Any other basis of allocation which yields a more accurate result may be used for those expenses being allocated on the basis of salaries. Any basis of allocation which is found to be inappropriate should be discounted.

Apportionment of Joint Expenses

Many insurance companies operate on a group basis, sharing personnel and facilities in conducting business. When this occurs, the expenses involved must be properly apportioned to the company incurring the expenses, and included in the same expense classifications as if originally paid by that company.

Some examples of specifically identifiable expenses that may be incurred solely on behalf of one company, and charged directly to the applicable company are:

1. Advertising;
2. Claims adjustment services;
3. Commissions and brokerages;
4. Taxes and real estate expenses;
5. Employees' salaries;
6. Any other expenses that can be attributed directly in whole or in part to a specific company.

The following table contains some general guidelines for apportioning joint expenses among companies.

TABLE 19-B

General Guidelines for Apportioning Joint Expenses

<u>Expense Item</u>	<u>Basis for Apportionment</u>
Advertising	Percentage of premiums
Boards, bureaus, associations	Special studies
Surveys and underwriting reports	Special studies
Audit of insureds' records	Special studies
Salaries	Studies of employee activities
Employee relations and welfare	Salaries
Insurance	Salaries
Travel and travel items	Special studies
Rent and rent items	Salaries
Equipment	Salaries
Printing and Stationery	Salaries
Postage, telephone and telegraph, exchange and express	Salaries

Legal and auditing	Special studies
Payroll taxes	Salaries
Miscellaneous	Special studies

Any other basis of allocation should be used if it yields more precise results than expenses allocated on the salaries or premium basis. If clearly inappropriate, allocation based on salaries or premium should not be employed.

A company that pays joint expenses, which are ultimately apportioned and charged to other companies in the group, should credit the apportioned expenses to the same expense items charged when the payment was made. Apportionment expenses generally should not be reported as income nor be accumulated in a separate account used to reduce total expenses for the company.

14. The Life/A&H Accounting Practices and Procedures Manual, Chapter 22, General Expenses and Taxes, Licenses and Fees, provides the following guidance:

General expenses include virtually all of the expenses of a life insurance company other than benefits to policyholders, commissions, and taxes, licenses and fees.

The statutory financial statement provides for two broad categories of general expenses: (1) insurance, which is further subdivided into life insurance, accident and health insurance, and all other lines of business and (2) investment. In addition, general expenses are allocated to more detailed lines of business in the Analysis of Operations by Lines of Business. In the Summary of Operations, the investment expense portion of general expenses is classified as an offset to investment income while general insurance expenses are reported separately in the expense section of the summary.

15. The Annual Statement Instructions for Property and Casualty Companies - Underwriting and Investment Exhibit - Part 4 - Expenses provides the following guidance:

A company that pays any affiliated entity (including a managing general agent) for the management, administration, or service of all or part of its business or operations shall allocate these costs to the appropriate expense classification items (salaries, rent, postage, etc.) as if these costs had been borne directly by the company. Management, administration, or similar fees should not be reported as a one-line expense. The company may estimate these expense allocations based on a formula or other reasonable basis.

A company that pays any non-affiliated entity (including a managing general agent) for the management, administration, or service of all or part of its business or operations shall allocate these costs to the appropriate expense classification item as follows:

- a) Payments for claims handling or adjustment services shall be allocated to "Loss Adjustment Expenses" (Column 1) in the Underwriting and Investment Exhibit—Part 4. If the total of such expenses incurred equals or exceeds 10% of the total incurred "Loss Adjustment Expenses" (Column 1, Line 22), the company shall allocate these costs to the appropriate expense classification items as if these costs had been borne directly by the company. If such expenses are less than 10% of the total, they may be reported on Line 1 of Column 1.
- b) Payments for services other than claims handling or adjustment services shall be allocated to the appropriate expense classification items as if these costs had been borne directly by the company, if the total of such fees paid equals or exceeds 10% of the total incurred "Other Underwriting Expenses" (Column 2, Line 22). If the total is less than 10%, the payments may be reported on Line 2 if the fees are calculated as a percentage of premium, or on Line 3 if the fees are not calculated as a percentage of premium.

The total management and service fees paid to affiliates and non-affiliates shall be reported in the footnote to the Underwriting and Investment Exhibit-Part 4 of the annual statement, and the method(s) used for allocation shall be disclosed in the Notes to the Financial Statements. The company shall use the same allocation method(s) on a consistent basis.

The Annual Statement Instructions for Life and Accident and Health Companies contains similar guidance.

Generally Accepted Accounting Principles

16. *FASB Statement of Financial Accounting Concepts No. 2, Summary of Principal Conclusions*, provides the following guidance:

Comparability and Consistency

Information about a particular enterprise gains greatly in usefulness if it can be compared with similar information about other enterprises and with similar information about the same enterprise for some other period or some other point in time. Comparability between enterprises and consistency in the application of methods over time increases the informational value of comparisons of relative economic opportunities or performance. The significance of information, especially quantitative information, depends to a great extent on the user's ability to relate it to some benchmark.

17. *FASB Statement of Financial Accounting Concepts No. 5, Recognition and Measurement in Financial Statements of Business Enterprises*, provides the following guidance:

paragraph 20

Classification in financial statements facilitates analysis by grouping items with essentially similar characteristics and separating items with essentially different characteristics. Analysis aimed at objectives such as predicting amounts, timing, and uncertainty of future cash flows requires financial information segregated into reasonably homogeneous groups. For example, components of financial statements that consist of items that have similar characteristics in one or more respects, such as continuity or recurrence, stability, risk, and reliability, are likely to have more predictive value than if their characteristics are dissimilar.

OTHER SOURCES OF INFORMATION

18. The Financial Condition Examiners Handbook - Volume 1, Chapter 6 provides the following guidance:

22. GENERAL INSTRUCTIONS IN CONNECTION WITH OPERATING EXPENSE CLASSIFICATIONS

A. Joint Expenses

Whenever personnel or facilities are used in common by two or more companies, or whenever the personnel or facilities of one company are used in the activities of two or more companies, the expenses involved shall be apportioned in accordance with the regulations relating to Joint Expenses, and such apportioned expenses shall be allocated by each company to the same operating expense classifications as if the expenses had been borne wholly. Any difference between the actual amount paid, and the amount of such apportioned expenses shall be included in the operating expense classification "Miscellaneous."

PART II
RULES RELATING TO THE ALLOCATION OF JOINT EXPENSES TO COMPANIES

1. JOINT EXPENSES

A. Joint Expenses, as described in Part 1, Sec. 22 (A), shall be allocated to companies as follows:

Expenses To Be Allocated To Companies (as amended)	Bases of Allocation to Companies
Advertising	Premiums
Boards, Bureaus, and Associations	Special Studies
Surveys and Underwriting Reports	Special Studies
Audit of Assureds' Records	Special Studies
Salaries	See Special Instructions Relating to the Allocation of Salaries and Other Expenses (Part V)
Employee Relations and Welfare	Overhead on Salaries
Insurance	Overhead on Salaries
Travel and Travel Items	Special Studies
Rent and Rent Items	Overhead on Salaries
Equipment	Overhead on Salaries
Printing and Stationery	Overhead on Salaries
Postage, Telephone and Telegraph, Exchange and Express	Overhead on Salaries
Legal and Auditing	Special Studies
Payroll Taxes	Overhead on Salaries
Miscellaneous	Special Studies

B. Definitions

The term Premiums used as a basis of allocation means that the allocation of expenses shall follow the percentages of applicable premiums.

The term Special Studies used as a basis of allocation means that expenses shall be analyzed and bases of allocation applied as dictated by that analysis.

The term Overhead on Salaries used as a basis of allocation means that the allocation of expenses shall follow the percentages of the applicable salaries allocation.

C. Other Bases Permitted or Prescribed

For those operating expense classifications permitting the basis, Overhead on Salaries or Premiums, any other basis of allocation may be adopted which yields more accurate results. The bases Overhead on Salaries and Premiums shall not be used if clearly in appropriate.

PART III

RULES RELATING TO THE
COMPOSITION OF, AND ALLOCATION TO, EXPENSE GROUPS

(as amended 1953 Proc. II 643-644)

1. LIST OF EXPENSE GROUPS

Expense reported in the operating expense classifications shall be allocated to the following expense groups:

Investment Expenses
Loss Adjustment Expenses
Acquisition, Field Supervision and Collection Expenses
Taxes
General Expenses

2. COMPOSITION OF THE EXPENSE GROUPS (as amended)

The composition of each group shall be as follows:

A. Investment Expenses

Investment Expenses shall comprise all expenses incurred wholly or partially in connection with the investing of funds and the obtaining of investment income, including related expenses incurred in the following activities: initiating or handling orders and recommendations; doing research; pricing; appraising and valuing; paying and receiving; entering and keeping general and detail records, safe keeping; collecting, recording, calculating and accruing investment income; general clerical, secretarial, office maintenance, supervisory and executive duties; handling personnel, supplies, main, etc.; and all other activities reasonably attributable to the investing of funds and the obtaining of investment income.

B. Loss Adjustment Expenses

Loss Adjustment Expenses shall comprise all expenses incurred wholly or partially in connection with the adjustment and recording of policy claims, including the totals of the operating expense classification, Claim Adjustment Services; the types of expenses included in Claim Adjustment Services, when the activities resulting in such types of expenses are performed by employees; and including related expenses incurred in the following activities: estimating amounts of claims; paying and receiving; entering and keeping general and detail records; general clerical, secretarial, office maintenance, supervisory and executive duties; handling personnel, supplies, mail, etc.; and all other activities reasonably attributable to the adjustment and recording of policy claims in connection with claims reported, paid and outstanding, and reinsurance thereon.

C. Acquisition, Field Supervision, and Collection Expenses

(1) Acquisition, Field Supervision and Collection Expenses shall comprise all expenses incurred wholly or partially in the following activities:

- a. Soliciting and procuring business and developing the sales field;
- b. Writing policy contracts, and checking and directly supervising the work of policy writers;
- c. Receiving and paying of premiums and commissions; entering into or setting up records of premiums and commissions receivable and payable for collection purposes; balancing and maintaining such records; corresponding with and visiting insureds and producers for the purpose of collecting premiums or adjusting differences; checking current accounts from producers; auditing of records of delinquent agents; and services of collection agencies; (Do not include activities in connection with accounts receivable from and payable to branch or other officers within the company.)
- d. Compiling and distributing expiration lists, notices of premiums due, lists of premiums or premium balances receivable and payable, contingent and other commission statements, production statements for acquisition and field supervision purposes, and similar data;

- e. Maintaining good will of insureds and producers; activities of field men; contact work related to acquisition, field supervision and collection; making contracts and agreements with producers; and activities in connection with agency appointments and replacements; (Do not include: inspections of risks when carried on by personnel employed by the insurance company, engaged full time in physical inspection of risks and activities directly related thereto; audits for the purpose of premium determination; and activities in connection with the adjustment of policy claims.)
- f. Rendering service to agents and other producers, such as providing office space, personnel, telephone, etc. and obtaining agents' licenses; (Do not include fees paid for agents' licenses.)
- g. Advertising and publicity of every nature related to acquisition, field supervision and collection; (In addition to applicable salaries, etc., include the entire amount shown in the operating expense classification, Advertising.)
- h. Miscellaneous activities of agents, brokers and producers other than employees, when performed by them: inspections; quoting premiums; signing policies; examining and mailing policies, applications and daily reports; compiling figures for current account; correspondence and sundry bookkeeping and clerical work;
- i. Other activities reasonably attributable to those operations listed in "a" to "h," such as: keeping general and detail records; paying and receiving, general clerical, secretarial, office maintenance, supervisory and executive work; and handling personnel, supplies, mail, etc.

(2) Commission and Allowances: When the whole or a part of any amount in the operating expense classifications Commission and Brokerage—Direct, and Allowances to Managers and Agents is paid specifically for services other than those set forth under "a" to "i," and when such services are not duplicated or otherwise compensated by the company, the amount thereof shall be allocated to expense groups other than Acquisition, Field Supervision and Collection, and such allocations shall be justified by detailed statements and data calculated and prepared in accordance with the methods prescribed in these Rules showing amounts of expenditures, properly allocated to expense groups and lines of business.

When Allowances to Managers and Agents represent a division of expenses shared with other companies, the aforementioned statements and data shall show the division of such shared expenses calculated and prepared in accordance with the methods prescribed in these Rules.

The calculation and preparation of the aforementioned statements and data shall be subject to verification and audit by insurance department personnel.

The instructions under the heading Commission and Allowances to not apply to Commission and Brokerage—Reinsurance Assumed, or Commission and Brokerage—Reinsurance Ceded.

D. Taxes

Taxes shall comprise the totals of the operating expense classification Taxes, Licenses and Fees.

E. General Expenses

General Expenses shall comprise all expenses not assignable by these rules to other expense groups.

3. ALLOCATION TO EXPENSE GROUPS (as amended)

A. Expenses shall be allocated to expense groups as follows:

Expenses To Be Allocated Expense Groups	Allocation to Expense Groups
Claim Adjustment Services:	
Direct	Loss Adjustment Expenses
Reinsurance Assumed	Loss Adjustment Expenses
Reinsurance Ceded	Loss Adjustment Expenses
Commission and Brokerage:	
Direct	See Commission and Allowances (Part III, Sec. 2 (C)(2))
Reinsurance Assumed	Acquisition, Field Supervision and Collection Expenses
Reinsurance Ceded	Acquisition, Field Supervision and Collection Expenses
Contingent—Net	Acquisition, Field Supervision and Collection Expenses
Policy and Membership Fees	Acquisition, Field Supervision and Collection Expenses
Allowances to Managers and Agents	See Commission and Allowances (Part III, Sec. 2 (C)(2))
Advertising	Acquisition, Field Supervision and Collection Expenses
Boards, Bureaus and Associations	General Expenses
Surveys and Underwriting	General Expenses
Reports	General Expenses
Audit of Assureds' Records	See Special Instructions Relating to the Allocation of Salaries and Other Expenses (Part V)
Salaries	Overhead on Salaries
Employee Relations and Welfare	Overhead on Salaries
Insurance	Overhead on Salaries
Directors' Fees	Special Studies
Travel and Travel Items	Overhead on Salaries
Rent and Rent Items	Overhead on Salaries
Equipment	Overhead on Salaries
Printing and Stationery	Overhead on Salaries
Postage, Telephone and Telegraph, Exchange and Express	Overhead on Salaries
Legal and Auditing	Special Studies
Taxes, Licenses and Fees	Taxes
Real Estate Expenses	Investment Expenses
Real Estate Taxes	Investment Expenses
Income from Special Services	Special Studies
Miscellaneous	Special Studies

B. Definitions

For definitions of the term Overhead on Salaries and Special Studies, see Part II, Sec. 1 (B).

C. Other Bases Permitted or Prescribed

For those operating expense classifications permitting the basis Overhead on Salaries, any other basis of allocation may be adopted which yields more accurate results. The basis Overhead on Salaries shall not be used if clearly inappropriate.

RELEVANT LITERATURE**Statutory Accounting**

- Statutory Accounting Principles Statement of Concepts and Statutory Hierarchy
- Accounting Practices and Procedures Manual for Property and Casualty Insurance Companies, Chapter 19
- Accounting Practices and Procedures Manual for Life and Accident and Health Insurance Companies, Chapter 22
- Annual Statement Instructions for Property and Casualty Companies and for Life and Accident and Health Companies

Generally Accepted Accounting Principles

- *FASB Statement of Financial Accounting Concepts No. 2, Summary of Principal Conclusions*
- *FASB Statement of Financial Accounting Concepts No. 5, Recognition and Measurement in Financial Statements of Business Enterprises*

State Regulations

- No additional guidance obtained from state statutes or regulations.

Other Sources of Information

- Financial Condition Examiners Handbook - Volume 1, Chapter 6

This page intentionally left blank.