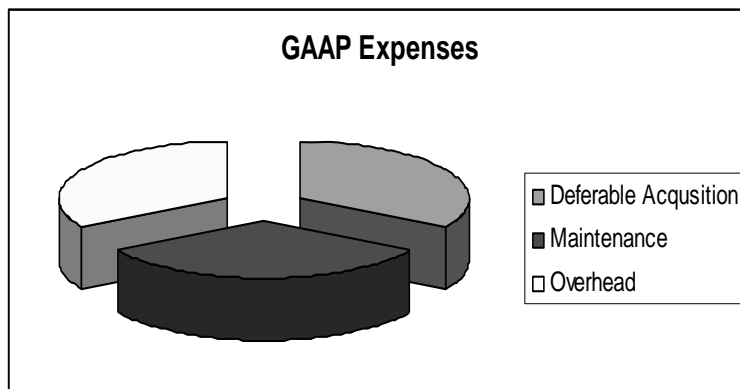


Session 2: GAAP Expenses

Bill Horbatt



GAAP Expenses

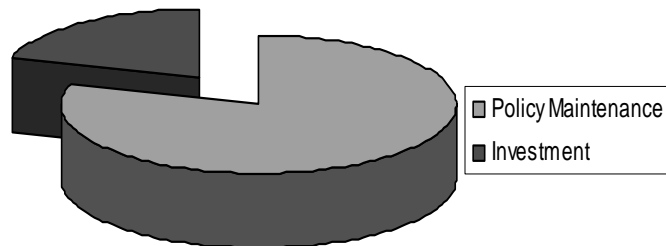


Deferrable Acquisition Costs

- Related to Production of New Business
- Vary with New Business Production



Maintenance Costs



Overhead

All Other Expenses



Deferrable Acquisition Costs

- Commissions (Excess over renewal)
- Underwriting Expense
- Policy Issue Expense
- Medical Examination Expense
- Direct Mail Solicitation
- Production / Persistency Bonus



Non Deferrable Acquisition Expenses

- General Advertising
- Agent Training Allowance
- Product Development Expense
- Agent Recruitment Expense
- Market Research



GAAP Expense Use

- Deferrable Acquisition – Capitalized in DAC
- Maintenance – Included in Reserve (FAS 60) or DAC amortization (FAS 97, 120)
- Investment – Reduces Yield (DAC amortization)

