



SOCIETY OF ACTUARIES

**US GAAP for International Life Insurers – Hong Kong  
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**Session 2: Expenses – SFAS 60**

[William Horbatt](#)

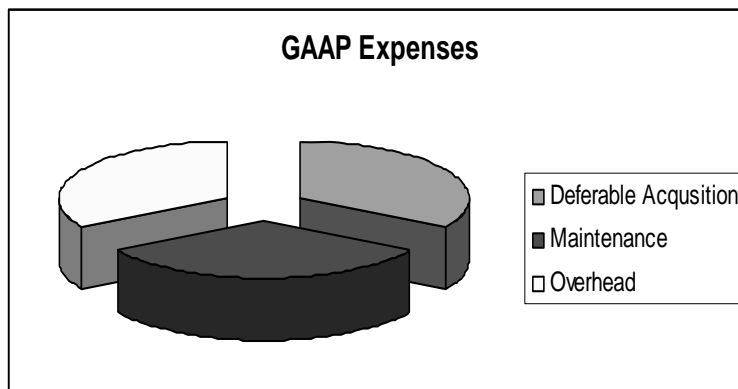
# GAAP Expenses

Bill Horbatt



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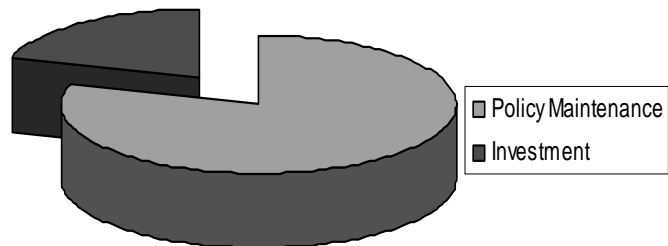
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## Deferrable Acquisition Costs

- **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)

