

**TRANSACTIONS OF SOCIETY OF ACTUARIES
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**GROUP CONVERSION CHARGES—ACCOUNTING FOR
ANNUAL STATEMENT**

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DONALD C. PAILLER:

I should like to mention a few instances where our practices might differ from those of the Travelers, as examples of alternative ways in which some of the Group Conversion accounting may be handled.

We too use a "Group Conversion" account for handling the conversion charges of all reinsurance cases (including F.E.G.L.I.), whether assumed or ceded, rather than a "General Expense" account. The form of the report of the Metropolitan to the reinsurers of F.E.G.L.I. suggests for the conversion charge line 12A, Group Conversions, or a negative amount in line 5 or 6, Miscellaneous Income. We find in the 1955 Annual Statements of twenty large companies, all of whom insure F.E.G.L.I., that eleven of them use line 12A, but that at least seven of these use it for F.E.G.L.I. only.

We hold a Group Conversion liability which covers pending and also unreported conversions; this is not limited to reinsurance cases.

For the adjustment of the "F.E.G.L.I. Conversion Pool Fund" asset to the amount reported by the Pool Managers, the Pool Agent suggests the use of a Miscellaneous Income account. However, we consider this adjustment in two parts: that which is due to investment income to the Pool, which we put through an Investment Income account, and the balance, which we show as Miscellaneous Income to our Ordinary Department. This latter we consider as our share of the result of the experience of the Conversion Pool, rather than merely our share of the conversion charges.