4.3.4.160 Risk Pools – Statement of Revenues, Expenses, and Changes in Fund Net Position – Additional Reporting Instructions

4.3.4.160.10 Member assessments/contributions – These revenues are payments for insurance and insurance related services. The revenue recognition for assessments, contributions and/or premiums should normally be over the contract period by amortizing the payment over the full length of the coverage period. Thus, the revenue should be matched to the insurance service as it is provided. This requires insurance payments not meeting definition of *earned* to be recorded as unearned member assessments/contributions. The payments should only be classified as revenue after the service has been provided.

4.3.4.160.20 Some insurance contracts are classified as retrospectively rated policies and contain an adjustment clause. The adjustment allows the pool to determine a final assessment based on the actual experience during the coverage period. In these contracts the final assessment has been earned and should be reported as revenue during the period coverage was provided, as long as it can be reasonably estimated.

4.3.4.160.30 Premium deficiency – If the sum of expected claim costs (including IBNR) and all expected claims adjustment expenses exceed unearned premiums a premium deficiency exits. When this situation occurs an assessments receivable and related revenue should be recorded after a legally enforceable claim has been established and the collectability is deemed probable.

4.3.4.160.40 Incurred loss and allocated loss adjustment expenses – The detail of the Claims Paid, net of recoveries and Change in Unpaid Claims Liabilities needs to be reported. These amounts must tie to the claims reserve note.

4.3.4.160.50 Unallocated loss adjustment expense – These are costs related to insurance settlements that cannot be directly related to a specific case. It usually is composed of salaries and internal costs of the pool’s claims department. The amount reported must tie to claims reserve note.

4.3.4.160.60 Reinsurances – Amounts that are recoverable from reinsurers or excess insurers and that relate to paid claims should be classified as an asset. Those recoverable amounts related to claims adjustment expenses should be classified as reductions in expenses.