

Interpretation of the Emerging Accounting Issues Working Group

INT 99-27: Nonadmitting Installment Receivables

ISSUE NULLIFIED BY SSAP NO. 6

INT 99-27 Dates Discussed

October 4, 1999; December 6, 1999

INT 99-27 References

SSAP No. 6—Uncollected Premium Balances, Bills Receivable for Premiums, and Amounts Due From Agents and Brokers (SSAP No. 6)

INT 99-27 Issue

1. SSAP No. 6 includes the following guidance:
 9. Nonadmitted amounts are determined as follows:
 - a. Uncollected Premium – To the extent that there is no related unearned premium, any uncollected premium balances, which are over ninety days due, shall be nonadmitted. If an installment premium is over ninety days due, the amount over ninety days due plus all future installments that have been recorded on that policy shall be nonadmitted;
2. The NAIC staff has received several inquiries as to the practical application of the above. The staff's interpretation of the accounting guidance is depicted in the following series of journal entries.

Workers' compensation policy written on 1/1/X1 for \$120,000 billed on installment basis at the end of each month.

Required Journal Entries:

1/1/X1	Installments booked but deferred and not yet due	120,000	
	Written premium		120,000
	Change in unearned premium reserve	120,000	
	Unearned premium reserve		120,000
	<i>Initial journal entry written on effective date of policy</i>		
1/30/X1	Premiums in course of collection	10,000	
	Installments booked but deferred and not yet due		10,000
	Unearned premium reserve	10,000	
	Change in unearned premium reserve		10,000
	<i>Monthly journal entry to record installments</i>		

Balance of accounts on 4/30/X1:

Installments booked but deferred and not yet due	80,000
Unearned Premium Reserve	80,000
Premiums in course of collection	40,000
Written premium	120,000
Change in unearned premium reserve	80,000
Earned premium	40,000

If no collections have been made as of 4/30/X1 then paragraph 9.a. would stipulate that the entire balance of \$40,000 residing in the premiums in course of collection account would be nonadmitted. As the installments receivable and unearned premium reserve offset one another, no further amounts would be deemed nonadmitted at this point. In fact, as long as any of the premiums in course of collection account are 90 days past the contractual due date of the installment, then all subsequent installment billings would automatically be nonadmitted (i.e., May, June, July receivables of \$10,000).

3. Is the staff's interpretation of SSAP No. 6, paragraph 9.a., as depicted in the above illustrative journal entries consistent with the intent of the SSAP as drafted?

INT 99-27 Discussion

4. The working group reached a consensus that the staff's interpretation as depicted in the above illustrative journal entries is consistent with the intent of the SSAP.

INT 99-27 Status

5. No further discussion is planned.