**Section 903.420 Composition of the Expense Groups**

The composition of each expense group shall be as follows:

a) Investment Expenses

 Investment Expenses shall comprise all expenses incurred wholly or partially in connection with the investing of funds and the obtaining of investment income, including related expenses incurred in the following activities: initiating or handling orders and recommendations; doing research; pricing; appraising and valuing; paying and receiving; entering and keeping general and detail records; safe keeping; collecting; recording, calculating and accruing investment income; general clerical, secretarial, office maintenance, supervisory and executive duties; handling personnel, supplies, mail, etc; and all other activities reasonably attributable to the investing of funds and the obtaining of investment income.

b) Loss Adjustment Expenses

 Loss Adjustment Expenses shall comprise all expenses incurred wholly or partially in connection with the adjustment and recording of policy claims, including the totals of the operating expense classification, Claim Adjustment Services; the types of expenses included in Claim Adjustment Services, when the activities resulting in such types of expenses are performed by employees; and including related expenses incurred in the following activities: estimating amounts of claims; paying and receiving; entering and keeping general and detail records; general clerical, secretarial, office maintenance, supervisory and executive duties; handling personnel, supplies, mail, etc.; and all other activities reasonably attributable to the adjustment and recording of policy claims in connection with claims reported, paid, and outstanding, and reinsurance thereon.

c) Acquisition, Field Supervision and Collection Expenses

1) Acquisition, Field Supervision and Collection Expenses shall comprise all expenses incurred wholly or partially in the following activities:

A) Soliciting and procuring business and developing the sales field.

B) Writing policy contracts, and checking and directly supervising the work of policy writers.

C) Receiving and paying of premiums and commissions; entering into or setting up records of premiums and commissions receivable and payable for collection purposes; balancing and maintaining such records; corresponding with and visiting insureds and producers for the purpose of collecting premiums or adjusting differences; checking current accounts from producers; auditing of records of delinquent agents; and services of collection agencies. Do not include activities in connection with accounts receivable from and payable to branch or other offices within the company.

D) Compiling and distributing expiration lists, notices of premiums due, lists of premiums or premium balances receivable and payable, contingent and other commission statements, production statements for acquisition and field supervision purposes, and similar data.

E) Maintaining good will of insureds and producers; activities of field men; contact work related to acquisition, field supervision and collection; making contracts and agreements with producers; and activities in connection with agency appointments and replacements. Do not include: inspections of risks when carried on by personnel employed by the insurance company, engaged full time in physical inspection of risks and activities directly related thereto; audits for the purpose of premium determination; and activities in connection with the adjustment of policy claims.

F) Rendering service to agents and other producers, such as providing office space, personnel, telephone, etc., and obtaining agents' licenses. Do not include fees paid for agents' licenses.

G) Advertising and publicity of every nature related to acquisition, field supervision and collection. In addition to applicable salaries, etc., include the entire amount shown in the operating expense classification, Advertising.

H) Miscellaneous activities of agents, brokers and producers other than employees, when performed by them: inspections; quoting premiums; signing policies; examining and mailing policies, applications and daily reports; compiling figures for current accounts, correspondence and sundry bookkeeping and clerical work.

I) Other activities reasonably attributable to those operations listed in (A) to (H), such as: keeping general and detail records; paying and receiving; general clerical, secretarial, office maintenance, supervisory and executive work; and handling personnel, supplies, mail, etc.

2) Commission and Allowances:

A) When the whole or a part of any amount in the operating expense classifications Commission and Brokerage-Direct, and Allowances to Managers and Agents is paid specifically for services other than those set forth under Section 903.420(c)(1)(A) to (c)(1)(I) , and when such services are not duplicated or otherwise compensated by the company, the amount thereof shall be allocated to expense groups other than Acquisition, Field Supervision and Collection, and such allocations shall be justified by detailed statements and data calculated and prepared in accordance with the methods prescribed in this Part showing amounts of expenditures, properly allocated to expense groups and primary lines of business.

B) When Allowances to Managers and Agents represent a division of expenses shared with other companies, the aforementioned statements and data shall show the division of such shared expenses calculated and prepared in accordance with the methods prescribed in this Part.

C) The calculation and preparation of the aforementioned statements and data shall be subject to verification and audit by insurance department personnel.

D) The instructions under the heading Commission and Allowances do not apply to Commission and Brokerage-Reinsurance Assumed, or Commission and Brokerage-Reinsurance Ceded.

d) Taxes

 Taxes shall comprise the totals of the operating expense classification Taxes, Licenses and Fees.

e) General Expenses

 General Expenses shall comprise all expenses not assignable by this Part to other expense groups.