**Section 903.520 Allocation of Expenses to Lines of Business**

a) Allocation of Expenses

1) The allocation of expenses to lines of business shall be by expense groups. Each classification of expense within each expense group shall be allocated separately to lines of business on the bases of allocation prescribed as follows.

2) All bases employed in such allocations shall be applicable and appropriate to the expense group of which such expense is a part.

3) Example - Expenses which are allocated to lines of business as an Overhead on Salaries shall be calculated in relation only to the salaries included in the same expense group.

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| Expenses Included in theExpense Group, Loss Adjust.Expenses |  | Bases of Allocationto Lines ofBusiness |
|  |  |
| Claim Adjust. Services:DirectReinsurance AssumedReinsurance Ceded |
| ActualActualActual |
|  |  |
| Commission & Brokerage-Direct |
| See Commission & Allow.(Subpart C, Section 903.420(c)(2)) |
|  |
|  |
| Allowances to Managers | See Commission & Allow.(Subpart C, Section 903.420(c)(2)) |
| and Agents |
|  |  |
| Salaries | See Spec. Inst. Relatingto Allocation of Salaries & Other Expenses (Subpart E) |
|  |  |
|  |  |
|  |  |  |
| Employee Relations & |  |  |
| Welfare |  | Overhead on Salaries |
|  |
| Pensions |  | Overhead on Salaries |
|  |
| Directors' Fees |  | Overhead on Salaries |
|  |
| Traveling & Entertain. |  | Special Studies |
|  |
| Rent & Rent Items |  | Overhead on Salaries |
|  |
| Equipment |  | Overhead on Salaries |
| Printing & Stationery |  | Overhead on Salaries |
|  |
| Postage, Telephone & Telegraph, Exchange &Express |  |  |
|  |
| Overhead on Salaries |
|  |
| Legal & Auditing |  | Special Studies |
|  |
| Income from Spec. Serv. |  | Special Studies |
|  |
| Miscellaneous |  | Special Studies |
|  |
|  |
| Expenses Included in theExpense Group, Acquisition,Field Supervision & Collection Expenses |  |  |
| Bases of Allocationto Lines of Business |
|  |  |  |
| Commission & Brokerage:Direct |  |  |
|  | Actual, but Subject toInstructions UnderComm. & Allow.(Subpart C, Section 903.420(c)(2)) |
|  |
|  |
|  |
|  |
| Reinsurance Assumed |  | Actual |
|  |
| Reinsurance Ceded |  | Actual |
|  |
| Contingent-Net |  | Special Studies |
|  |
| Policy & Membership Fees |  | Actual |
|  |
| Allowances to Managers &Agents |  | Spec. Studies, but |
|  | Subject to Instructions underCommission & Allowance(Subpart C, Section 903.420(c)(2)) |
|  |
|  |
| Advertising |  | Premiums |
|  |
| Salaries |  | See Special InstructionsRelating to Allocation ofSalaries & Other Expenses (Subpart E) |
|  |
|  |
| Employee Relations &Welfare |  | Overhead on Salaries |
|  |
| Pensions |  | Overhead on Salaries |
|  |
| Directors' Fees |  | Overhead on Salaries |
|  |
| Travel. & Entertain. |  | Special Studies |
|  |
| Rent & Rent Items |  | Overhead on Salaries |
|  |
| Equipment |  | Overhead on Salaries |
|  |
| Printing & Stationery |  | Overhead on Salaries |
|  |
| Postage, Telephone & Telegraph, Exchange& Express |  |
|  | Overhead on Salaries |
|  |
| Legal & Auditing |  | Special Studies |
|  |
| Income from Spec. Serv. |  | Special Studies |
|  |
| Miscellaneous |  | Special Studies |
|  |
|  |
| Expenses Included in |  |  |
| the Expense Group, | Bases of Allocation to |
| General Expenses | Lines of Business |
|  |  |  |
| Comm. & Brokerage-Direct |  | See Comm & Allowances(Subpart C, Section 903.420(c)(2)) |
|  |
| Allowances to Managers& Agents |  | See Comm. & Allowances(Subpart C, Section 903.420(c)(2)) |
|  |
| Boards, Bureaus & Assn. |  | Special Studies |
|  |
| Surveys & UnderwritingReports |  |
| Special Studies |
|  |
| Audit of Assureds'Records |  |
| Special Studies |
|  |
| Salaries | See Spec. InstructionsRelating to Allocationof Salaries & OtherExpenses (Subpart E) |
|  |
| Employee Relations & Welfare |  | Overhead on Salaries |
|  |  |
|  |
| Pensions |  | Overhead on Salaries |
|  |
| Directors' Fees |  | Overhead on Salaries |
|  |
| Travel. & Entertain. |  | Special Studies |
|  |
| Rent & Rent Items |  | Overhead on Salaries |
|  |
| Equipment |  | Overhead on Salaries |
|  |
| Printing & Stationery |  | Overhead on Salaries |
|  |
| Postage, Telephone &Telegraph, Exchange& Express |  |  |
| Overhead on Salaries |
|  |
|  |
| Legal & Auditing |  | Special Studies |
|  |
| Income from Spec. Serv. |  | Special Studies |
|  |
| Miscellaneous |  | Special Studies |
|  |  |
|  |  |
| Expenses Included in the | Bases of Allocation |
| Expense Group, Taxes | to Lines of Business |
|  |  |  |
| Taxes, Licenses & Fees:State & Local Ins. TaxesIns. Dept. or StateLicenses & Fees |  |  |
| Special Studies |
|  |
| Special Studies |
|  |
| Payroll Taxes |  | Overhead on Salaries |
|  |
| All other (excludingFed. Income & RealEstate) |  |  |
| Special Studies |
|  |

b) Definitions

1) The term Actual means that the expenses are susceptible of direct and accurate allocation, and companies shall allocate directly to lines of business and shall not employ any apportionments or estimations.

2) For definitions of the terms Special Studies, Premiums and Overhead on Salaries, see Subpart B, Section 903.310(b).

c) Other Bases Permitted or Prescribed

 For those expense classifications permitting the basis Overhead on Salaries or Premiums, any other basis of allocation may be adopted which yields more accurate results. The bases Overhead on Salaries and Premiums shall not be used if clearly inappropriate.

d) Other Instructions Applicable

 In making any allocations to lines of business, companies shall observe the General Instructions Regarding Allocation Bases (see Subpart E, Section 903.620)

e) Records Required

 The methods followed in allocating to lines of business shall be described, kept and supported as set forth under Detail of Allocation Bases (see Subpart E, Section 903.630(g)).

f) The effects of the application to each operating expense classification of all bases of allocation shall be shown on records kept in clear and legible form. Such records shall be readily available for examination.