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Sent: Thursday, November 08, 2007 3:15 PM

To: Director - FASB

Subject: File Reference: 1254-100-Accounting for Insurance Contract.

## LETTER OF COMMENT NO.

## Gentlemen:

I am commenting on Insurance contracts relating to insurers and policyholders. My knoeledge of accounting in the insurance/ reinsurance industry is as follows.

When an insurance company obtains a contract, a cover note is provided to the insurance broker and the underwriter of the insurance. It stipulates the terms of the agreement. For example, it will dislose the amount of insurance, the amount of the premium, such as 15 per mil, or \$15 paid for each \$1,000 of coverage.

It will disclose the type of insurance, such as property ,casualty,or life insurance. It will indicate the commission, over riding commission, and the names of any reinsurers on the contract if necessary, and their percentage of participation in the contract.

If an insurance contract is issued to a reinsurer, a binder is provided which indicates their percentage in the agreement. A statement will be received each period indicating the premium, less the commission, less the over riding commission, equalling the net premium. The paid losses would then be deducted, resulting in the account balance. If positive, this amount is due from the Insurer. The reinsurer would then ensure a check is received and prepare a record in the cash receipts journal. If the account balance is negative, a check would be prepared and an entry would be prepared in the cash disbursements journal, and posted to the general ledger. Assumed business is received from another reinsurer, ceded business is when an insurer or reinsurer sends insurance business to a reinsurer. An Insurance or reinsurance company obtains business from the Insurance exchange. There are also reserves, namely unearned premiums, outstandind losses, incurred but not reported losses (ibnr). For each account period, changes in these reserves are recorded in the accounting records. Now I will answer the questions required for this proposal.

1.I don't think the FASB needs to address comprehensive income for insurance contracts as long as the entity is reporting income, expenses, gains, losses, unrealized gains and losses in accordance with GAAP.

- a.I think GAAP adequately addresses the reporting requirements and doesn't need to be improved.
- b.! think a reconciliation should be made for any difference between GAAP and IFRS>
- 2. The IASB should ensure companies doing business in more than one currency prepare their financial statements in the currency of the reporting company, and foreign affiliates translate and remeasure their financials to the functional currency used by the parent company, including foreign exchange gains and losses, and translation adjustments.
- 3. The underwriter will calculate risk margins and cash flows to ensure a profit may be obtained . .4. Profit should be recognized each reporting period, such as quarterly, semi-annually, or annually. 5. Liabilities should be at fair market value.

## NUMBERS:(6-21)

Assets and liabilities should be reported at fair market value, cash flows should be discounted using present value tables or formulas. Acquisition costs should be amortized over the life of the contract, and if the contract is transferred, a gain or loss should be recognized. Assets held back for liabilities should be considered collateral and footnote disclosure should be attached to the Financial Statements. The greater the risk in the insurance contract, the higher the premium should be. Assete, whether held by the cedent, or party assuming the business, should be at current, or fair markey value. Service should be unbundled from commissions. Treasury shares should be deducted when computing earnings per share. The account balance each statement period would be the net income to accrue.

The income statement would show premiums,less commissions,less paid losses,gains and losses on investments,other comprehensive income,extoardinary items,and cumulative effect of

an accounting change,both net of tax effects. Discontinued operations would apply if the company was a parent company and owned subsidiaries. The time value of money would apply to investments (Assets), or liabilities, such as leaseholds, or leasehold improvements. The payback method would indicate the time that the cost is recovered for the asset, the internal rate of return would indicate the percentage derived from investing in the asset, and the Accounting rate of return would indicate the net income divided by the net assets.

Thank you for your attention regarding my comments.

Sincerely, Kevin G. Wilson 3189 Griswold Avenue Bronx, New York 10465 Telephone:1(516)369-2925

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