

Insurance Bookkeeping Entry Situations

1

The Company has direct written premiums of \$24,000,000. The entry is to debit Insurance Receivable and credit Direct Premium Income

To record direct written premiums

The Company has received the outstanding premiums receivable of \$24,000,000. The entry is to credit the Insurance Receivable and debit Cash.

To record collection of cash

2

The Company assumes reinsurance premiums of \$20,000,000. The entry is to debit Reinsurance Receivable and credit Reinsurance Premium Income

To record assumed reinsurance during the period

The Company has received the outstanding reinsurance premiums receivable of \$20,000,000. The entry is to credit the Reinsurance Receivable and debit Cash.

To record collection of cash

3

The Company ceded \$15,000,000 of reinsurance premiums. The entry is to debit Reinsurance Premium Income - CEDED and credit Reinsurance Payable.

To record reinsurance premiums ceded during the period

The Company has paid the outstanding ceded premiums of \$15,000,000. The entry is to credit Cash and debit Reinsurance Payable

To record payment of cash

4

The Company's direct written policy period was from July 1, 20X1 to June 30, 20X2. The amount of earned premium of \$12,000,000 from this current year's policy is only 6 months (50% of the year) with the remaining 6 months to be earned in the following year. The entry is to debit Unearned Premiums - 20X1 (P&L) and to credit Unearned Premium Reserve (Bal Sheet).

To record the amount of calculated unearned premiums for the period

5

The Company's assumed reinsurance policy period is from December 15, 20X1 to December 14, 20X2. The amount of earned premium from this current year's policy is half of 1 month (approx 5% for the year) with the remaining 95% to be earned the following year. The entry is to debit Unearned Reinsurance - 20X1 (P&L) and to credit Unearned Reinsurance Reserve (Bal Sheet).

To record the amount of calculated unearned reinsurance premiums for the period

Insurance Bookkeeping Entry Situations

6

The Company's actuarial study reported an estimated \$18,000,000 IBNR (incurred but not reported) Reserve. The entry is to debit IBNR Expense and credit IBNR Reserve.

To accrue annual IBNR change

7

At the end of the year, the Company has reported case reserves of \$8,500,000. The entry is to reduce IBNR and record this separate case reserve by itself. Debit IBNR Reserve and credit Case Reserves

To record amount of case reserves for period

8

While the Company awaits the final adjustments to the case reserves over the next few months, they know for certain that \$5,000,000 of those case reserves will be paid within the next twelve months. The entry is to debit Case Reserves and credit Claims Payable.

To record amount of claims payable to be paid in next 12 months

9

The Company has paid the \$5,000,000 claims payable. Debit Claims Payable and credit Cash.

To record the payment of the claims

10

The Company has paid \$100,000 in policy acquisition costs that will be deferred and then amortized over the life of the policy. The entry is to debit Deferred Policy Acquisition Costs (DPAC) and credit Cash.

To record acquisition costs that must be amortized over the policy period

11

The Company expenses half of the DPAC recorded earlier this year. The entry is to debit Acquisition Expense and credit DPAC.

To record annual acquisition costs

12

The Company has received their final cession statement and true up their year end balances to that statement. The final cession states that Reinsurance Income was \$16,000,000 and the policy had Incurred Claims Expense of \$5,000,000, Commissions Expense of \$2,000,000, Ceding Expenses of \$1,500,000 and Other Expenses of \$500,000. The remaining balance will be recorded as Reinsurance Receivable until the Cash is actually collected.

To record annual reinsurance cession statement



Insurance Bookkeeping Entries

	<u>Debit</u>	<u>Credit</u>
1		
Insurance Receivable	24,000,000	
Insurance Premium Income		24,000,000
<i>To record direct written premiums</i>		
Cash	24,000,000	
Insurance Receivable		24,000,000
<i>To record collection of cash</i>		
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2		
Reinsurance Receivable	20,000,000	
Reinsurance Premium Income		20,000,000
<i>To record assumed reinsurance during the period</i>		
Cash	20,000,000	
Reinsurance Receivable		20,000,000
<i>To record collection of cash</i>		
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3		
Reinsurance Premium Income - CEDED	15,000,000	
Reinsurance Payable		15,000,000
<i>To record reinsurance premiums ceded during the period</i>		
Reinsurance Payable	15,000,000	
Cash		15,000,000
<i>To record payment of cash</i>		
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4		
Unearned Premiums - 20X1(P&L)	12,000,000	
Unearned Premium Reserve (Balance Sheet)		12,000,000
<i>To record the amount of calculated unearned premiums for the period</i>		
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5		
Unearned Reinsurance - 20X1(P&L)	19,000,000	
Unearned Reinsurance Reserve (Balance Sheet)		19,000,000
<i>To record the amount of calculated unearned reinsurance premiums for the period</i>		
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Insurance Bookkeeping Entries

	<u>Debit</u>	<u>Credit</u>
6		
IBNR Expenses	18,000,000	
IBNR Reserves		18,000,000
<i>To accrue annual IBNR change</i>		
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7		
IBNR Reserves	8,500,000	
Case Reserves		8,500,000
<i>To record amount of case reserves for period</i>		
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8		
Case Reserves	5,000,000	
Claims Payables		5,000,000
<i>To record amount of claims payable to be paid in next 12 months</i>		
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9		
Claims Payables	5,000,000	
Cash		5,000,000
<i>To record the payment of the claims</i>		
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10		
Deferred Policy Acquisition Costs	100,000	
Accounts Payable or Cash		100,000
<i>To record acquisition costs that must be amortized over the policy period</i>		
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11		
Policy Acquisition Expense	50,000	
Deferred Policy Acquisition Costs		50,000
<i>To record annual acquisition costs</i>		
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12		
Reinsurance Receivable or Cash	7,000,000	
Incurred Claims Expenses	5,000,000	
Reinsurance Commissions expenses	2,000,000	
Reinsurance Ceding Expenses	1,500,000	
Other Expenses	500,000	
Reinsurance Premium Income		16,000,000
<i>To record annual reinsurance cession statement</i>		
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