**Section 903.430 Allocation to Expense Groups**

a) Expenses shall be allocated to expense groups as follows:

|  |  |  |
| --- | --- | --- |
| Expenses to Be Allocated |  | Allocation |
| to Expense Groups |  | to Expense Groups |
|  |  |  |
| Claim Adjust. Services:DirectReinsurance AssumedReinsurance Ceded |  |  |
|  | Loss Adjust. Expenses |
|  | Loss Adjust. Expenses |
|  | Loss Adjust. Expenses |
|  |  |  |
| Commission & Brokerage: |  | See Commission |
|  |  | and Allowances |
|  |  |  |
| Direct |  | (Subpart C,Section 903.420(c)(2)) |
|  |  |  |
| Reinsurance Assumed |  | Acquisition, Field Supervision and Collection Expenses |
|  |  |
|  |  |  |
| Reinsurance Ceded |  | Acquisition, Field Supervision and Collection Expenses |
|  |  |
|  |  |  |
| Contingent-Net |  | Acquisition, Field Supervision and Collection Expenses |
|  |  |  |
| Policy & Membership Fees |  | Acquisition, Field Supervision and Collection Expenses |
|  |  |  |
| Allowances to Managers & Agents |  | See Commission and Allowances (Subpart C, Section 903.420(c)(2)) |
|  |  |  |
| Advertising |  | Acquisition, Field Super. & Collec. Exp. |
|  |  |  |
| Boards, Bureaus & Assn. |  | General Expenses |
|  |  |  |
| Surveys & Underwriting Reports |  | General Expenses |
|  |  |  |
| Audit of Assureds' Rec. |  | General Expenses |
|  |  |  |
| Salaries |  | See Spec. Instructions Relating to Allocation of Salaries & Other Expenses (Subpart E) |
|  |  |  |
| Employee Relations & |  |  |
| Welfare |  | Overhead on Salaries |
|  |  |  |
| Pensions |  | Overhead on Salaries |
|  |  |  |
| Directors' Fees |  | Overhead on Salaries |
|  |  |  |
| Travel and Entertain. |  | Spec. Studies |
|  |  |  |
| Rent and Rent Items |  | Overhead on Salaries |
|  |  |  |
| Equipment |  | Overhead on Salaries |
|  |  |  |
| Printing & Stationery |  | Overhead on Salaries |
|  |  |  |
| Postage, Telephone & Telegraph, Exchange and Express |  | Overhead on Salaries |
|  |  |  |
| Legal & Auditing |  | Special Studies |
|  |  |  |
| Taxes, Licenses & Fees |  | Taxes |
|  |  |  |
| Real Estate Expenses |  | Investment Expenses |
|  |  |  |
| Real Estate Taxes |  | Investment Expenses |
|  |  |  |
| Income from Spec. Serv. |  | Special Studies |
|  |  |  |
| Miscellaneous |  | Special Studies |

b) Definitions

 For definition of the terms Overhead on Salaries & Special Studies, See Subpart B, Section 903.310(b).

c) Other Bases Permitted Or Prescribed

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

d) Other Instructions Applicable

 In making any allocations to expense groups, companies shall observe the General Instructions Regarding Allocation Bases (see Subpart E, Section 903.620).

e) Records Required

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

 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.