

#### 4.3.4.81 Risk Pools – Statement of Net Position – Additional Reporting Instructions

All risk pools are required to report using the enterprise fund model. The following and financial reporting guidance is specifically designed for pools where there is transference of risk from the participant to the pool. Pools acting solely in banking and/or claims servicing agent capacity will not use the accounting described in the following pages. They do not have a transfer of risk and should report claims-servicing revenue and administrative costs. Amounts collected or due from participants, and amounts paid or to be paid for settling claims, should be reported simply as a component of net position or liability.

##### Reporting requirements for account balances on the statement of net position:

Receivables for Member Contributions/Assessments – Receivables should only be recognized when formally assessed by the governing body or a legally enforceable claim exists. Legal authority in a statute alone does not give sufficient cause to report a receivable.

Restricted Assets – Cash and investments are usually the largest assets held by a risk pool. All cash and investments with external restrictions must be reported as restricted. In addition the restricted assets must be classified as current or noncurrent. The classification is determined by the type of liability it is related to (i.e., current/noncurrent).

Equity in Joint Venture – Joint Self-Insurance – If a risk pool has a measurable equity interest in a joint venture (example: Government Entity Mutual, Inc.) it must report its equity interest as an asset. This is a joint venture and should follow equity interest accounting.

Claims Reserves (IBNR, Unpaid Claims, and ULAE) – The largest liability for most pools is the unpaid claims and loss adjustment expenses. These liabilities are commonly reported as reserves. The claims liability should be reported net of anticipated recoveries (i.e. salvage or subrogation).

IBNR – The estimated liability for future claims are reported as *Incurred but Not Reported* (IBNR) claims. This account includes known loss events that are expected to be presented as claims, unknown loss events that are expected to be presented as claims, and expected future development on existing claims.

Unpaid Claims – These are the liability for claims adjustment expenses associated directly with a claim. They include all costs with the settlement of unpaid claims.

ULAE (Unallocated Loss Adjustment Expense) – This liability is related to overhead cost that cannot be allocated to specific claims. This amount is usually calculated by an actuary; however, an estimate of claims based on actual costs may be used. An exception to reporting arises when there has been a transference of risk and the pool is no longer responsible for the costs.

Claims Reserves for IBNR, Open Claims and ULAE liabilities need to be reported in separately. In addition the portion of the current and non-current liabilities needs to be presented for each. The split is usually made based on prior experience and expected activity. Methodology for classification needs to be reasonable and used consistently. The total amount of claims reserves must tie to the claims reserve note.

Unearned Member Assessments – Payments and receivables for future periods that have not met revenue recognition criteria. Revenue should be recognized over the period of insurance coverage.

Unrestricted Component of Net Position – Component of net position without external restrictions for use. Equity related to joint ventures should be classified as unrestricted component of net position (example: Government Entity Mutual, Inc.).