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January 19, 2018

Mr. Russell Golden, Board Member
rggolden@fasb.org
Financial Accounting Standards Board (FASB)
401 Merritt 7, P.O. Box 5116
Norwalk, CT 06856-5116

RE: Income Accounting Standard for Property & Casualty (P&C) Insurance Brokerage Industry

Dear Mr. Golden:

The purpose of this letter is to bring to your attention on the long overdue need for an *income accounting standard* in the P&C insurance retailing industry. As you probably know, P&C insurance retailers and wholesalers carry out their daily operations under a grant from P&C insurance carriers that allows them to legally receive and maintain transacted premiums in trust bank accounts until they are disbursed to legal owners.

Unlike other sales and service businesses, P&C retailing agencies derive their commission income from trust after premium receipts are segregated between net premiums due to carriers and sales commission due to the agency business account. While tedious, the process is further exacerbated by a lack of automation. Due to its intricacies, insurance commission income accounting is very different from standard income accounting.

Insurance fiduciary (trust) accounting is cash accounting and premium funds are “earmarked” funds. These are two more reasons why monitoring and reporting agency “earned” commissions get even more complicated. Sales commissions are “earned” in trust and become “income” only after they are transferred to the agency’s business operating account.

Income accounting in P&C retailing industry is different and requires multiple journal entries to collect “earned” commissions into a dedicated trust ledger account. The P&C insurance brokerage industry is the only industry currently not complying with fiduciary legal mandates. Lacking adequate commission income accounting, retailing agencies transfer commission funds out of the trust account based on what they need rather than what they “earn”. A major source of trust financial insolvency, this practice continues to expose retailing agencies to a loss of business license and potential legal prosecution for theft.

Having the authority to standardize income accounting, FASB is in the position to also standardize income accounting in the P&C insurance retailing industry. We can work with FASB in achieving this goal. Our company has worked more than 10 years to develop a specialty accounting system able to monitor and report retailing agency’s trust financial solvency. Our technology received a US patent in 2017.

Looking forward to a favorable response to this letter.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Marinescu", is written over a light blue horizontal line.

Chris Marinescu, Principal
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