

Cash Basis Accounting – Agency Bill Posting Examples

The following are examples of how invoices post to the General Ledger for Agency Bill (ABI) transactions in AMS360. All Agency Bill transactions are done through the Customer Center billing method. The examples that follow are for an **Agency that has elected Cash for the Accounting Basis** method in Agency Setup>Accounting options.

Each Example is related to the Facts that are presented immediately prior to the Example(s). Each transaction is considered an Activity and correspond the Activity number in the GL positing grid.

All positive amounts indicate debit postings to the GL number indicated in the column heading; all amounts in parentheses represent credit postings. GL numbers may vary depending on company classification (insurance/brokerage), premium type (P&C, Life, etc.) and customer type (customer/broker).

Facts

- **Company Setup > Billing Options** for ABC Insurance Company are set to: 1) Line of Business = Business Auto; 2) Agency Bill - Bill Using Manually Entered Premiums is selected.
- **Number of Days to Bill in Advance** in **Agency Setup>Accounting Options** is set to 30.
- Coverage is bound on a New Business Auto policy and the agency posts an invoice for **\$5,000 premium, 10% agency commission, with 50% of agency commission to the producer.**

Example #1: Invoice created and posted where the Policy Effective Date is equal to or earlier than the Invoice Date.

Accounting Events

Date	Activity	Accounting Transaction
04/01	#1	Policy effective 03/01, invoice amount is \$5,000.00 premium, 10% agency commission, 50% to the producer
04/08	#2	Customer pays the agency \$5,000.00
04/30	#3	Agency pays the producer \$250.00

General Ledger Postings

Balance Sheet Accounts							Income and Expense Statement Accounts	
Date	Activity #	Accounts Receivable – Agency Business GL #11211 ¹	Accounts Payable to Insurance Companies GL #21111 ³	Commissions Payable – Agency Business GL #21131 ²	Deferred AB Commission Expense – Agency Business GL #21132 ²	Deferred AB Comm Income GL #21410 ³	P & C Agency Bill Commission Income – Insurance Companies GL #40111 ⁴	Agency Bill Commission Expense – Agency Business GL #51110 ²
04/01	#1	5,000	(4,500)	(250)	250	(500)		

Note: No posting will be made to the Income and Expense Statement until the invoice is paid in full (invoice balance must be \$.00). When invoice balance is zero, Commission Income moves from Deferred Income account to Income. When the commission is paid to the producer, the commission expense will move from Deferred Commission Expense to the expense GL. Example follows:

General Ledger Postings (after invoice balance is \$.00 and when producer commission is paid)

Balance Sheet Accounts							Income and Expense Statement Accounts	
Date	Activity #	Operating Bank Account – GL #11130	Accounts Receivable – Agency Business GL #11211 ¹	Commissions Payable – Agency Business GL #21131 ²	Deferred AB Commission Expense – Agency Business GL #21132 ²	Deferred AB Comm Income GL #21410 ³	P & C Agency Bill Commission Income – Insurance Companies GL #40111 ⁴	Agency Bill Commission Expense – Agency Business GL #51110 ²
04/08	#2	5,000	(5,000)			500	(500)	
04/30	#3	(250)		250	(250)			250

Example #2: Invoice created and posted where Policy Effective Date is later than the Invoice Date, but is within the Number of Days to Bill in Advance

Accounting Events

Date	Activity	Accounting Transaction
04/01	#1	Policy effective on 4/15; Invoice posted for \$5,000 premium; 10% agency commission; 50% of agency commission to the producer.
04/15	#2	On the invoice effective date, the system will automatically post the General Ledger items to the Insurance Company (or Brokerage) payable, Employee (or Broker) payables, and Deferred Income and Expenses as appropriate.
04/17	#3	Customer pays the agency \$5,000
04/30	#4	Agency pays the producer \$250

General Ledger Postings

Balance Sheet Accounts								Income and Expense Statement Accounts	
Date	Activity #	Accounts Receivable – Agency Business GL #11211 ¹	Deferred Standard AR – Agency Business GL #11212 ¹	Accounts Payable to Insurance Companies GL #21111 ³	Commissions Payable – Agency Business GL #21131 ²	Deferred AB Commission Expense – Agency Business GL #21132 ²	Deferred AB Comm Income GL #21410 ³	P & C Agency Bill Commission Income – Insurance Companies GL #40111 ⁴	Agency Bill Commission Expense – Agency Business GL #51110 ²
04/01	#1	5,000	(5,000)						
04/15	#2		5,000	(4,500)	(250)	250	(500)		

Note: No posting will be made to the Income and Expense Statement until the invoice is paid in full (invoice balance must be \$.00). When invoice balance is \$.00, Commission Income moves from Deferred Income account to Income. When the commission is paid to the producer, the commission expense will move from Deferred Commission Expense to the expense GL. Example follows:

General Ledger Postings (after invoice balance is \$.00 and when producer commission is paid)

Balance Sheet Accounts							Income and Expense Statement Accounts	
Date	Activity #	Operating Bank Account – GL #11130	Accounts Receivable – Agency Business GL #11211 ¹	Commissions Payable – Agency Business GL #21131 ²	Deferred AB Commission Expense – Agency Business GL #21132 ²	Deferred AB Comm Income GL #21410 ³	P & C Agency Bill Commission Income – Insurance Companies GL #40111 ⁴	Agency Bill Commission Expense – Agency Business GL #51110 ²
04/17	#3	5,000	(5,000)			500	(500)	
04/30	#4	(250)		250	(250)			250

Example #3: Invoice created and posted where Policy Effective Date is later than the Invoice Date, and is greater than the Number of Days to Bill in Advance

Accounting Events

Date	Activity	Accounting Transaction
04/01	#1	Invoiced policy effective on 5/30; Invoice posted on \$5,000 premium; 10% agency commission; 50% of agency commission to the producer. There will be no posting to the general ledger since an invoice number is not assigned to the transaction. The amount will not appear in the general ledger until the future invoice is manually posted, or the Daily Process is run with a date that includes the date equal to the Number of Days to Bill in Advance that is set in the Agency Setup.
05/01	#2	Daily process is run with a date range that includes the date equal to the Number of Days to Bill in Advance. (The invoice can be manually posted through the General Ledger posting icon, if user has security rights.)
05/30	#3	On the invoice effective date, the system will automatically post the General Ledger items to the Insurance Company (or Brokerage) and Employee (or Broker) payables, Income and Expenses as appropriate.

General Ledger Postings

Balance Sheet Accounts								
Date	Activity #	Operating Bank Account – GL #11130	Accounts Receivable – Agency Business GL #11211 ¹	Deferred Standard AR – Agency Business GL #11212 ¹	Accounts Payable to Insurance Companies GL #21111 ³	Commissions Payable – Agency Business GL #21131 ²	Deferred AB Commission Exp – Agency Business GL #21132 ²	Deferred AB Commission Income – Ins Cos GL #21410 ³
04/01	#1							
05/01	#2		5,000	(5,000)				
05/30	#3			5,000	(4,500)	(250)	250	(500)

When Invoice balance is \$.00, the Income will move from Deferred AB Commission Income-Ins Cos, GL #21410 to the appropriate Income general ledger account. When producer is paid, the \$250.00 will move from Deferred AB Commission

Exp–Agency Business, GL #21132, to the appropriate Commission Expense general ledger account.

- ¹ If the Customer or policy is assigned to a Broker, the accounts receivable will post to General Ledger account #11221 and the Deferred Standard AR will post to General Ledger account #11222
- ² Commission payable will post to General Ledger account #21131 and the Deferred Commission Expense will post to General Ledger Account #21132. If the policy is assigned to a Broker, and the agency has selected the “post Broker Payable and Expense amounts to the GL System Accounts” in the Agency Setup, the payable will post to General Ledger account #21135 and the Deferred Commission Expense will post to General Ledger account #21136. When the producer is paid, then the expense will post to General Ledger Account #51120.
- ³ If a Brokerage is used, the General Ledger account number used for the carrier payable will be #21112 and #21412 for Deferred Commission Income. When the invoice is paid, the Income will move to General Ledger account #40112
- ⁴ Deferred Commission Income for a Brokerage is posted to General Ledger account #21420 until the invoice is paid in full and then the expense will move to the appropriate Income General Ledger account #40111, or for a Brokerage, #40112.