Interpretation of the Emerging Accounting Issues Working Group

INT 01-26: SSAP No. 51 and Reserve Minimum or Required Amount

ISSUE NULLIFIED BY SSAP NO. 51

INT 01-26 Dates Discussed
June 11, 2001; October 16, 2001

INT 01-26 References

SSAP No. 51—Life Contracts (SSAP No. 51)

INT 01-26 Issue

1. SSAP No. 51 adopts Appendix A-820, Minimum Life and Annuity Reserve Standards (A-820) on minimum standards for life and annuity contracts.

2. The accounting issue is if a state requires a higher standard, like a more conservative mortality table, or a company chooses a higher standard even when not required by their state, would the difference between the amount as reported and the reserve required by SSAP No. 51 and Appendix A-820 be included in the footnote reconciliation required by Appendix A-205, Illustrative Disclosure of Differences Between NAIC Statutory Accounting Practices and Procedures and Accounting Practices Prescribed or Permitted by the State of Domicile?

INT 01-26 Discussion

3. The working group reached a consensus that a difference would have to be disclosed if the reserve amount calculated on the state prescribed or permitted valuation basis is materially different from the reserve amount calculated on the A-820 valuation basis\. The working group is of the opinion that although the A-820 standard is viewed as a minimum one, it nevertheless represents the baseline from which deviations are measured. The determination of whether difference meets the standard of materiality is subjective. The Preamble to the Accounting Practices and Procedures Manual provides further guidance on the criterion of materiality.

INT 01-26 Status

4. No further discussion planned.

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1 This issue applies to contracts issued January 1, 2001, and thereafter.