

Interpretation of the Emerging Accounting Issues Working Group

INT 00-30: Application of SSAP No. 51 Paragraph 6 to Waiver of Deduction on Flexible Premium Universal Life Insurance Policies

ISSUE NULLIFIED BY SSAP NO. 51

INT 00-30 Dates Discussed

September 12, 2000; December 4, 2000

INT 00-30 References

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

INT 00-30 Issue

1. Flexible premium universal life insurance policies do not require specified premiums as traditional policies do. The “waiver” benefit entities offer is a “waiver of monthly deductions” benefit as opposed to a “waiver of premium” benefit. The difference being specific premiums may or may not be required under the policy regardless of whether the insured is disabled or not. That being the case, when an individual qualifies for “waiver” due to disability, entities cease to calculate and make the deductions from the account value that would otherwise be made, except for the disability. It appears that paragraph 6 of SSAP No. 51 requires premiums and considerations waived be reported as a benefit, and are to be included in premium income.

6. Premium income shall include dividends, coupons, guaranteed annual pure endowments, and similar benefits provided by the insurance contract when such amounts are applied by the terms of the contract to provide additional paid-up insurance, annuities, or to shorten the endowment or premium-paying period. Premiums and considerations waived by the reporting entity under disability provisions contained in its policies and contracts, and reported in operations as a disability benefit, are included in premium income.

2. The issue is whether the second sentence require entities to calculate the amount of the deduction and include that amount as premium income as well as a benefit paid?

INT 00-30 Discussion

3. The working group reached a consensus to consider the waiver of the deduction to be neither revenue nor benefit paid, therefore a calculation of the amount of the deduction need not be made for flexible premium universal life insurance policies.

INT 00-30 Status

4. No further discussion is planned.