

Interpretation of the Emerging Accounting Issues Working Group

INT 01-05: Classification of Accrued Interest on Policy Loans

ISSUE NULLIFIED BY SSAP NO. 49

INT 01-05 Dates Discussed

December 4, 2000; March 26, 2001

INT 01-05 References

SSAP No. 49—Policy Loans (SSAP No. 49)

INT 01-05 Issue

1. Paragraph 7 of SSAP No. 49 provides the accounting guidance for recognition of interest income on policy loans. Paragraph 8 of that same statement describes when policy loan accrued interest shall be reclassified from Investment Income Due and Accrued to be included in the unpaid policy loan balance.

7. Interest income on policy loans shall be recorded as earned and included in investment income consistent with *SSAP No. 34—Investment Income Due and Accrued*. For interest received before it is earned, unearned interest income shall be recorded as a liability in accordance with *SSAP No. 5R—Liabilities, Contingencies and Impairments of Assets*.

8. Accrued interest income on policy loans that is past due 90 days or more shall be reclassified from Investment Income Due and Accrued and included in the unpaid balance of the policy loan as defined in paragraph 4.

2. The accounting issue is may a company include accrued interest that is less than 90 days past due as a part of the policy loan balance rather than carrying the accrued interest as Investment Income Due and Accrued?

INT 01-05 Discussion

3. The working group reached a consensus to allow interest to be reclassified from Accrued Investment Income Due and Accrued to be included in the unpaid policy loan balance earlier than when the interest is 90 days past due. All accrued interest that is 90 days past due would be included in the policy loan balance. This is a classification issue and would not result in any amounts being admitted that would otherwise be nonadmitted.

INT 01-05 Status

4. No further discussion planned.