

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 basis¹. 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.

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