

Statutory Issue Paper No. 110

Life Contracts, Deposit-Type Contracts and Separate Accounts, Amendments to SSAP No. 51—Life Contracts, SSAP No. 52—Deposit-Type Contracts, and SSAP No. 56—Separate Accounts

STATUS

Finalized September 12, 2000

Original SSAPs and Current Authoritative Guidance: SSAP No. 51R, SSAP No. 52 and SSAP No. 56

This issue paper may not be directly related to the current authoritative statement.

Type of Issue:

Life

SUMMARY OF ISSUE

1. *SSAP No. 51—Life Contracts* (SSAP No. 51) prescribes the accounting treatment for life contracts, *SSAP No. 52—Deposit-Type Contracts* (SSAP No. 52) prescribes the accounting treatment for deposit-type contracts, and *SSAP No. 56—Separate Accounts* (SSAP No. 56) prescribes the accounting treatment for separate accounts.

2. The purpose of this issue paper is to amend SSAP No. 51, SSAP No. 52 and SSAP No. 56 to incorporate the guidance included in appendices A-200, A-695 and A-830 and remain consistent with the Statutory Accounting Principles Statement of Concepts and Statutory Hierarchy (Statement of Concepts).

SUMMARY CONCLUSION

3. Statutory policy reserves for those group annuity contracts or other contracts that, in whole or in part, establish the insurer's obligations by reference to a segregated portfolio of assets not owned by the insurer shall be established in accordance with the guidance in Appendix A-695.

4. Statutory policy reserves for those contracts with nonlevel premiums or benefits, or contracts with secondary guarantees shall be established in accordance with the guidance in Appendix A-830.

5. Statutory policy reserves for those group life contracts utilizing a separate account that meet the requirements outlined in paragraph 1 of Appendix A-200 shall be computed in accordance with the guidance in that appendix.

6. This issue paper amends paragraph 43 of SSAP No. 51 to the following:

This statement incorporates the requirements of Appendices A-225, A-235, A-585, A-620, A-695, A-812, A-820, A-821, A-822, A-825, A-830 and the Actuarial Standards Board *Actuarial Standards of Practice*.

7. This issue paper amends paragraph 19 of SSAP No. 52 to the following:

This statement incorporates the requirements of Appendices A-235, A-695, A-820, A-822, A-825, and the Actuarial Standards Board *Actuarial Standards of Practice*.

8. This issue paper amends the first sentence of paragraph 23 of SSAP No. 56 to the following:

The reserving methodologies and assumptions used in computation of policy reserves shall also meet the provisions of Appendices A-200, A-250, A-270, A-255, A-585, A-588, A-620, A-695, A-820, A-822, and the actuarial guidelines found in Appendix C of this Manual.

9. This issue paper amends paragraph 30 of SSAP No. 56 to the following:

This statement incorporates the requirements of Appendices A-200, A-250, A-255, A-270, A-585, A-588, A-620, A-695, A-812, A-820, A-821, A-822, A-825, and the Actuarial Standards Board *Actuarial Standards of Practice*.

Effective Date

10. This issue paper is effective for years beginning January 1, 2001. Contracts issued prior to January 1, 2001 shall be accounted for based on the laws and regulations of the domiciliary state.

DISCUSSION

11. Subsequent to the NAIC's adoption of SSAP No. 51, SSAP No. 52, and SSAP No. 56, the NAIC adopted the Separate Accounts Funding Guaranteed Minimum Benefits Under Group Contracts Model Regulation, the Synthetic Guaranteed Investment Contracts Model Regulation, and the Valuation of Life Insurance Policies Model Regulation. Appendices A-200, A-695 and A-830 excerpt the accounting guidance from each of these three model regulations, respectively. This issue paper incorporates the requirements of these appendices.

RELEVANT STATUTORY ACCOUNTING AND GAAP GUIDANCE

Statutory Accounting

12. SSAP No. 51 paragraph 43:

43. This statement incorporates the requirements of Appendices A-225, A-235, A-585, A-620, A-812, A-820, A-821, A-822, A-825, and the Actuarial Standards Board *Actuarial Standards of Practice*.

13. SSAP No. 52, paragraph 19:

19. This statement incorporates the requirements of Appendices A-235, A-820, A-822, A-825, and the Actuarial Standards Board *Actuarial Standards of Practice*.

14. SSAP No. 56, paragraph 23:

23. The reserving methodologies and assumptions used in computation of policy reserves shall also meet the provisions of Appendices A-250, A-270, A-255, A-585, A-588, A-620, A-820, A-822, and the actuarial guidelines found in Appendix C of this Manual. Where separate account contracts have guaranteed elements, the basis for determining the value of the liability shall be consistent with the basis used for asset values (i.e., valuation interest rates as defined in Appendix A-820 shall be used when assets are recorded as if held in the general account and current interest rates based on market rates shall be used when assets are recorded at market). Further, policy reserves shall be in compliance with those Actuarial Standards of Practice promulgated by the Actuarial Standards Board.

15. SSAP No. 56, paragraph 30:

30. This statement incorporates the requirements of Appendices A-250, A-255, A-270, A-585, A-588, A-620, A-812, A-820, A-821, A-822, A-825, and the Actuarial Standards Board *Actuarial Standards of Practice*.

RELEVANT LITERATURE

Statutory Accounting

- Statutory Accounting Principles Statement of Concepts and Statutory Hierarchy
- *SSAP No. 50—Classifications and Definitions of Insurance or Managed Care Contracts In Force*
- *SSAP No. 51—Life Contracts*
- *SSAP No. 52—Deposit-Type Contracts*
- *SSAP No. 56—Separate Accounts*

Generally Accepted Accounting Principles

- *FASB Statement No. 60, Accounting and Reporting by Insurance Enterprises*
- *FASB Statement No. 97, Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Realized Gains and Losses from the Sale of Investments*
- *FASB Statement No. 120, Accounting and Reporting by Mutual Life Insurance Enterprises and by Insurance Enterprises for Certain Long-Duration Participating Contracts*
- *AICPA Statement of Position 95-1, Accounting for Certain Activities of Mutual Life Insurance Enterprises*
- *FASB Interpretation No. 40, Applicability of Generally Accepted Accounting Principles to Mutual Life Insurance and Other Enterprises, an interpretation of FASB Statements No. 12, 60, 97, and 113*
- *AICPA Practice Bulletin 8, Application of FASB Statement No. 97, Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Realized Gains and Losses from the Sale of Investments, to Insurance Enterprises*
- *AICPA Audit and Accounting Guide: Stock Life Insurance Companies*

State Regulations

- No additional guidance obtained from state statutes or regulations.