

Statement of Financial Accounting Standards No. 120

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Accounting and Reporting by Mutual Life Insurance
Enterprises and by Insurance Enterprises for
Certain Long-Duration Participating Contracts

(an amendment of FASB Statements No. 60, 97, and 113 and
Interpretation No. 40)

January 1995



Financial Accounting Standards Board
of the Financial Accounting Foundation
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Accounting and Reporting by Mutual Life Insurance Enterprises and by Insurance Enterprises for Certain Long-Duration Participating Contracts

an amendment of FASB Statements No. 60, 97, and 113 and Interpretation No. 40

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FAS 120: Accounting and Reporting by Mutual Life Insurance Enterprises and by Insurance Enterprises for Certain Long-Duration Participating Contracts

an amendment of FASB Statements No. 60, 97, and 113 and Interpretation No. 40

FAS 120 Summary

This Statement extends the requirements of FASB Statements No. 60, *Accounting and Reporting by Insurance Enterprises*, No. 97, *Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Realized Gains and Losses from the Sale of Investments*, and No. 113, *Accounting and Reporting for Reinsurance of Short-Duration and Long-Duration Contracts*, to mutual life insurance enterprises, assessment enterprises, and fraternal benefit societies (all of which are hereafter referred to as mutual life insurance enterprises). The AICPA has established accounting for certain participating life insurance contracts of mutual life insurance enterprises in its Statement of Position 95-1, *Accounting for Certain Insurance Activities of Mutual Life Insurance Enterprises*, that should be applied to those contracts that meet the conditions in this Statement. This Statement also permits stock life insurance enterprises to apply the provisions of the SOP to participating life insurance contracts that meet the conditions in this Statement. This Statement is effective for financial statements issued for fiscal years beginning after December 15, 1995.

This Statement also amends FASB Interpretation No. 40, *Applicability of Generally Accepted Accounting Principles to Mutual Life Insurance and Other Enterprises*, to defer the effective date of the general provisions of that Interpretation to fiscal years beginning after December 15, 1995. This Statement does not change the disclosure and other transition provisions of Interpretation 40.

INTRODUCTION

1. FASB Statements No. 60, *Accounting and Reporting by Insurance Enterprises*, No. 97,

Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Realized Gains and Losses from the Sale of Investments, and No. 113, *Accounting and Reporting for Reinsurance of Short-Duration and Long-Duration Contracts*, exempted mutual life insurance enterprises from the requirements of those Statements. FASB Interpretation No. 40, *Applicability of Generally Accepted Accounting Principles to Mutual Life Insurance and Other Enterprises*, did not address or change the existing exemptions of mutual life insurance enterprises from those Statements. Because of the lack of accounting guidance for the insurance and reinsurance activities of those enterprises, the Board asked the AICPA to reactivate and expeditiously complete its project on that issue. The Board's discussions with the AICPA emphasized that any guidance should be within the parameters of Statements 60, 97, and 113.

2. This Statement extends the requirements of Statements 60, 97, and 113 to mutual life insurance enterprises, assessment enterprises, and fraternal benefit societies. The AICPA has established accounting for certain participating life insurance contracts of those enterprises in its Statement of Position 95-1, *Accounting for Certain Insurance Activities of Mutual Life Insurance Enterprises*, that should be applied to those contracts that meet the conditions in this Statement. This Statement also permits stock life insurance enterprises to apply the provisions of the SOP to participating life insurance contracts that meet the conditions in this Statement. This Statement and the SOP are effective for fiscal years beginning after December 15, 1995.

3. This Statement also amends Interpretation 40 to defer the effective date of the general provisions of that Interpretation to fiscal years beginning after December 15, 1995, so that Interpretation 40, this Statement, and the SOP are concurrently effective. This Statement does not change the disclosure and other transition provisions of Interpretation 40.

STANDARDS OF FINANCIAL ACCOUNTING AND REPORTING

Accounting and Reporting by Mutual Life Insurance Enterprises

4. Mutual life insurance enterprises, assessment enterprises, and fraternal benefit societies (all of which are hereafter referred to as mutual life insurance enterprises) shall apply Statements 60 and 97, except as noted in the following paragraph, and shall apply Statement 113 in reporting their insurance and reinsurance activities in financial statements prepared in conformity with generally accepted accounting principles.

Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Participating Contracts

5. Mutual life insurance enterprises shall apply Statement 60 or 97, as appropriate, to participating life insurance contracts unless those contracts meet both of the following

conditions:¹

- a. The contracts are long-duration participating contracts that are expected to pay dividends to policyholders based on actual experience of the insurer.
 - b. Annual policyholder dividends are paid in a manner that identifies divisible surplus and distributes that surplus in approximately the same proportion as the contracts are considered to have contributed to divisible surplus (commonly referred to in actuarial literature as the contribution principle).
6. Stock life insurance enterprises with participating life insurance contracts that meet the conditions in paragraph 5 of this Statement are permitted to account for those contracts in accordance with the SOP. The same accounting policy shall be applied consistently to all those participating life insurance contracts. Disclosure of the specific accounting policy applied to those contracts shall be made in accordance with APB Opinion No. 22, *Disclosure of Accounting Policies*.

Amendments to Statements 60, 97, and 113 and Interpretation 40

7. Paragraph 6 of Statement 60 is amended as follows:
 - a. In the first sentence, *and title insurance enterprises* is replaced by ***title insurance enterprises, mutual life insurance enterprises, assessment enterprises, and fraternal benefit societies***.
 - b. The last sentence is replaced by:

FASB Statement No. 120, *Accounting and Reporting by Mutual Life Insurance Enterprises and by Insurance Enterprises for Certain Long-Duration Participating Contracts*, addresses the accounting for certain long-duration participating life insurance contracts.
8. Statement 97 is amended as follows:
 - a. In paragraph 6, *and FASB Statement No. 120, Accounting and Reporting by Mutual Life Insurance Enterprises and by Insurance Enterprises for Certain Long-Duration Participating Contracts*, is added to the end of the last sentence.
 - b. In paragraph 11, *and Statement 120* is added to the end of the second sentence.
9. The following is added at the end of the first sentence of paragraph 6 of Statement 113:

and to participating life insurance contracts that meet the conditions in paragraph 5 of FASB Statement No. 120, *Accounting and Reporting by Mutual Life Insurance Enterprises and by Insurance Enterprises for Certain Long-Duration Participating*

Contracts.

10. The first sentence of paragraph 7 of Interpretation 40 is replaced by the following:

The general provisions of this Interpretation are effective for financial statements issued for fiscal years beginning after December 15, 1995, and the disclosures specified in paragraphs 5 and 6 are effective for annual statements for fiscal years beginning after December 15, 1992.

Effective Date and Transition

11. This Statement shall be effective for financial statements for fiscal years beginning after December 15, 1995, with earlier application encouraged. The effect of initially applying this Statement shall be reported retroactively through restatement of all previously issued annual financial statements presented for comparative purposes for fiscal years beginning after December 15, 1992. Previously issued financial statements for any number of consecutive annual periods preceding that date may be restated to conform to the provisions of this Statement. The cumulative effect of adopting this Statement shall be included in the earliest year restated.

**The provisions of this Statement need
not be applied to immaterial items.**

This Statement was adopted by the affirmative votes of six members of the Financial Accounting Standards Board. Mr. Leisenring dissented.

Mr. Leisenring disagrees with the deferral of the effective date of Interpretation 40. He believes that by delaying the effective date of Interpretation 40 the Board is allowing a practice to continue that it observed was unacceptable for the reasons described in that Interpretation. He believes that no events or circumstances have arisen since the issuance of Interpretation 40 that warrant a delay in the effective date of that Interpretation.

Mr. Leisenring believes that users of financial statements that are described as having been prepared in conformity with generally accepted accounting principles should expect that all appropriate accounting pronouncements have been applied. Interpretation 40 does not change the accounting for transactions, events, or circumstances under generally accepted accounting principles, but clarifies that those pronouncements must be applied when the financial statements have been described as being prepared in conformity with those standards. He believes that the effective date of Interpretation 40 should not be deferred because that Interpretation will improve the comparability of financial reporting among insurance enterprises for transactions and events other than those specifically addressed in Statements 60, 97, and 113 and the SOP for mutual life insurance enterprises that decide to prepare financial statements in conformity with generally accepted accounting principles.

Members of the Financial Accounting Standards Board:

Dennis R. Beresford, *Chairman*

Joseph V. Anania

Anthony T. Cope

John M. Foster

James J. Leisenring

Robert H. Northcutt

Robert J. Swieringa

Appendix

BACKGROUND INFORMATION AND BASIS FOR CONCLUSIONS

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Appendix: BACKGROUND INFORMATION AND BASIS FOR CONCLUSIONS

Introduction

12. This appendix summarizes considerations that were deemed significant by Board members in reaching the conclusions in this Statement. It includes reasons for accepting certain views and rejecting others. Individual Board members gave greater weight to some factors than to others.

13. An FASB Exposure Draft, *Accounting and Reporting by Mutual Life Insurance Enterprises and by Insurance Enterprises for Certain Long-Duration Participating Contracts*, was issued for public comment on March 24, 1994, and distributed to members of various industry organizations, in addition to the standard distribution, to encourage comment from those most affected by the proposal. The Board received 31 comment letters in response to that Exposure Draft. The Board concluded that it could reach an informed decision on the basis of existing information without a public hearing.

Background Information

14. In 1972, the AICPA published an Industry Audit Guide, *Audits of Stock Life Insurance Companies*. That Guide did not apply to mutual life insurance enterprises. The AICPA Insurance Companies Committee subsequently formed a task force to address accounting and reporting by mutual life insurance enterprises but later suspended that project.

15. In 1982, the Board issued Statement 60 which extracted the specialized accounting practices from the Guide. Statement 60 specifically exempted mutual life insurance enterprises from its requirements because the issue of which insurance accounting and reporting principles should be applied to those entities still had not been resolved. In 1987, Statement 97 was issued and also excluded mutual life insurance enterprises for the same reason. Statement 113, issued in 1992, continued the exemption of mutual life insurance enterprises.

16. In 1993, Interpretation 40 was issued. Interpretation 40 clarified that mutual life insurance enterprises that issue financial statements described as prepared "in conformity with generally accepted accounting principles" are required to apply all applicable authoritative accounting pronouncements in preparing those statements.

17. Interpretation 40 did not address or change the existing exemptions of mutual life insurance enterprises from Statements 60, 97, and 113. Interpretation 40, originally effective for fiscal years beginning after December 15, 1994, highlighted the need to definitively resolve the

accounting and reporting requirements for the insurance activities of mutual life insurance enterprises.

18. Mutual life insurance enterprises primarily issue participating life insurance contracts. Participating life insurance contracts provide policyholders with certain guaranteed benefits and allow policyholders to share in the experience of the enterprise through dividends. Dividends are paid periodically and generally reflect the experience and performance of the enterprise for investment activity, mortality experience, and contract administration for each particular class of contracts. The determination and distribution of dividends distinguish participating life insurance contracts from nonparticipating life insurance contracts.

19. The AICPA identified certain participating life insurance contracts that have features of the policies addressed by both Statements 60 and 97. Those contracts are different from other forms of participating contracts because dividends paid by those contracts are adjusted to reflect actual company experience. The features of those contracts that are similar to the contracts addressed by Statement 60 include individual contract functions that are not separately displayed to policyholders nor explicitly stated in the policy, a pattern of premiums that is specified in the policy and that is generally level and fixed over the contract's life, and the lack of an explicit policyholder account balance. Those contracts also have features that provide a measure of flexibility and discretion to the insurance enterprise that is similar to those found in universal life-type contracts addressed by Statement 97. For example, dividends on participating life insurance contracts are adjusted by the insurer to reflect actual company performance. In effect, those contracts contain similar provisions to Statement 60 contracts but function like Statement 97 contracts. Accordingly, the AICPA decided that those contracts should receive specialized accounting treatment to reflect the features of those contracts.

20. The AICPA has issued SOP 95-1 that requires mutual life insurance enterprises to apply the SOP's accounting to participating life insurance contracts that meet the conditions in paragraph 5 of the SOP and to apply Statement 60 or 97 to all other life insurance policies in reporting their insurance activities in financial statements prepared in conformity with generally accepted accounting principles. Statement 113 applies to all reinsurance activities of mutual life insurance enterprises.

21. The AICPA asked the Board to remove the exemption for mutual life insurance enterprises from Statements 60, 97, and 113 and to require stock life insurance enterprises that have participating life insurance contracts that meet the conditions in paragraph 5 of the SOP to apply the accounting in the SOP to those policies in reporting their insurance activities in financial statements prepared in conformity with generally accepted accounting principles.

22. The Board considered the SOP and the AICPA's requests and decided to issue this Statement to address accounting and reporting principles for the insurance and reinsurance activities of mutual life insurance enterprises and to permit rather than require stock life insurance enterprises to apply the accounting in the SOP to participating life insurance contracts

that meet the conditions in paragraph 5 of this Statement.

Applicability of Other Pronouncements

23. After considering the nature of insurance and reinsurance contracts of mutual life insurance enterprises, the AICPA concluded that Statements 60, 97, and 113 generally provide an appropriate model for the accounting and reporting of insurance and reinsurance activities of mutual life insurance enterprises. Based on that conclusion, the AICPA decided that requiring mutual life insurance enterprises to apply the provisions of those Statements to the insurance and reinsurance activities of those enterprises, except for participating life insurance contracts that meet the conditions in paragraph 5 of this Statement, would improve the comparability and understandability of financial reporting among insurance enterprises for insurance and reinsurance activities. Accordingly, the AICPA requested that the Board remove the exemptions of mutual life insurance enterprises from Statements 60, 97, and 113.

24. After considering the AICPA's conclusions, the Board decided that a general consideration of accounting and reporting by mutual life insurance enterprises was not necessary at this time. The Board agreed with the AICPA and decided to remove the exemptions of mutual life insurance enterprises from Statements 60, 97, and 113.

25. Most respondents to the March 1994 Exposure Draft supported the overall approach of applying Statements 60, 97, and 113 to mutual life insurance enterprises. A few respondents suggested that the needs of policyowners, regulators, and the accounting profession would be better served by developing a universal accounting model for mutual life insurance enterprises that incorporates the best practices of statutory and generally accepted accounting principles. Such an approach would entail a comprehensive review of insurance accounting and reporting. The Board concluded that the concerns raised by those respondents do not warrant general reconsideration of insurance accounting and reporting at this time. The Board believes that the needs of users would be better served by providing mutual life insurance enterprises that elect to adopt generally accepted accounting principles with a more timely resolution of insurance accounting and reporting issues that is based on the existing framework of those principles.

Accounting for Certain Long-Duration Participating Life Insurance Contracts

26. The AICPA also concluded that the accounting for certain long-duration participating life insurance contracts of mutual life insurance enterprises should be addressed separately. The AICPA decided that considering separately the accounting for participating life insurance contracts that meet the conditions in paragraph 5 of this Statement was warranted because of the contractual differences between those contracts and other types of participating life insurance contracts.

27. The Board believes that the accounting in the SOP is reasonable for participating life insurance contracts that meet the conditions in paragraph 5 of this Statement. The Board

acknowledges that the SOP will establish accounting principles for those contracts that differ from those applied to other types of participating life insurance contracts, but the Board believes that differences in the features of those contracts justify differences in accounting. The Board believes that the accounting in the SOP reasonably reflects the features of those contracts within the parameters of Statements 60 and 97.

28. A few respondents to the Exposure Draft disagreed with the AICPA's and the Board's conclusion on that issue. Those respondents stated that participating life insurance contracts that meet the conditions in paragraph 5 of this Statement should be accounted for using a Statement 60 methodology because those contracts are similar to other life insurance contracts accounted for in accordance with Statement 60. In its redeliberations on the SOP, the AICPA reconsidered that approach and concluded that the accounting in the SOP more closely reflects the features of those contracts than a Statement 60 methodology. The Board concurs with the AICPA that for participating life insurance contracts that meet the conditions in paragraph 5 of this Statement the accounting in the SOP is more appropriate than the accounting under a Statement 60 approach.

29. The Board considered two approaches to include the SOP's accounting for participating life insurance contracts that meet the conditions in paragraph 5 of this Statement in the framework of generally accepted accounting principles. One approach would have referred to the SOP as a source of established accounting principles for those contracts. The other approach would have included the SOP's accounting requirements (paragraphs 11-24 of the SOP) in this Statement, making this Statement the source of accounting principles for those contracts.

30. The Board decided that the SOP should be referred to in this Statement as the source of established accounting principles for those contracts. The Board understands that including the SOP's accounting in this Statement would have established that accounting as category (a) accounting principles and would have integrated the SOP's accounting into FASB literature, thereby facilitating retrieval of that information. However, including the SOP's accounting in this Statement would have required the Board to deliberate the SOP's accounting, and the Board decided that that was not warranted at this time. The Board also concluded that this Statement and AICPA Statement on Auditing Standards No. 69, *The Meaning of "Present Fairly in Conformity With Generally Accepted Accounting Principles" in the Independent Auditor's Report*, will appropriately establish the SOP's accounting in the body of generally accepted accounting principles. The Board believes that financial statement users, preparers, and auditors will have reasonable access to the SOP and that reference to the SOP will provide adequate notice about the SOP's applicability to those contracts.

31. The Board also considered whether stock life insurance enterprises with participating life insurance contracts that meet the conditions in paragraph 5 of this Statement should be required or permitted to apply the SOP's accounting to those contracts. Stock life insurance enterprises currently are required to apply Statement 60 to those contracts. The AICPA requested that the Board amend Statement 60 to require stock life insurance enterprises having that type of contract to apply the accounting in the SOP to those contracts.

32. The Board recognizes that the information provided to users about the insurance and reinsurance activities of life insurance enterprises could be improved by limiting the diversity among insurance enterprises in accounting and reporting for those activities. The Board acknowledges that permitting stock life insurance enterprises with participating life insurance contracts that meet the conditions in paragraph 5 of this Statement to apply the accounting in the SOP to those contracts may cause inconsistencies between insurance enterprises in their accounting for those contracts. The Board believes, however, that there are likely to be only a limited number of stock life insurance enterprises with material amounts of those contracts and decided not to require those enterprises to comply with the SOP.

33. In addition, the Board agreed that requiring stock life insurance enterprises to comply with the SOP would require the Board to deliberate the SOP's accounting and include that accounting in this Statement. The Board decided that the limited inconsistencies that may arise by permitting stock life insurance enterprises to apply the accounting in the SOP do not warrant further Board consideration at this time. The Board believes that the disclosures required by this Statement and Opinion 22 will provide sufficient information to assist users in understanding differences in accounting (between insurance enterprises) for participating life insurance contracts that meet the conditions in paragraph 5 of this Statement.

34. Most respondents to the Exposure Draft that addressed that issue agreed with the Board's conclusion to permit stock life insurance enterprises to apply the SOP to participating contracts that meet the conditions in paragraph 5 of this Statement. Some respondents stated that consistency and comparability in financial reporting among insurance enterprises would be improved if stock life insurance enterprises were either precluded from applying or required to apply the accounting in the SOP to those contracts. The Board reconsidered that issue but continues to believe that the accounting in the SOP reasonably reflects the features of those contracts and should be available to stock life insurance enterprises. The Board also believes that a decision to require stock life insurance enterprises to apply the SOP's accounting to those contracts would necessitate adding the accounting conclusions in the SOP to this Statement thereby requiring time-consuming deliberations. The Board decided not to require stock life insurance enterprises to apply the provisions of the SOP because the overall benefits of providing timely guidance on the accounting and reporting of insurance activities by mutual life insurance enterprises outweigh the incremental improvement in the consistency and comparability of financial reporting among insurance enterprises that would result from requiring stock life insurance enterprises to apply the SOP's accounting. Accordingly, the Board decided to retain the provision to permit stock life insurance enterprises to apply the accounting in the SOP.

Effective Date and Transition

35. Adoption of the provisions of this Statement is likely to establish a fundamentally different basis of accounting for insurance and reinsurance activities of mutual life insurance

enterprises that currently prepare financial statements based on statutory accounting practices. Therefore, the Board decided that retroactive restatement is the appropriate method of reporting the effect of initially applying this Statement. Requiring a uniform transition method will improve the understandability and comparability of financial statements of mutual life insurance enterprises, both in the year of adoption and in subsequent periods. The Board recognizes that restatement of all years may be costly and may require information that mutual life insurance enterprises may no longer have or that was not previously required. The Board concluded that transition is, to a significant extent, a practical matter and therefore limited the requirement to restate previously issued annual financial statements that are presented for comparative purposes to fiscal years beginning after December 15, 1992, consistent with reporting the effect of initially applying Interpretation 40.

36. The Exposure Draft and Interpretation 40 provided only general implementation guidance and did not attempt to identify and address all issues that could arise from the adoption of multiple accounting standards. A few respondents asked the Board to provide more detailed implementation guidance. Those respondents stated that the financial information provided to users could be improved and inconsistencies could be reduced by providing more extensive guidance. The Board considered those requests but concluded that delaying timely resolution of the accounting and reporting of insurance activities of mutual life insurance enterprises to undertake the time-consuming effort to identify all potential implementation issues and provide detailed implementation guidance was not warranted. The Board decided that for practical reasons the overall approach of providing general guidance should be retained and that this Statement should not address detailed implementation issues that may result from its requirements or those of Interpretation 40.

37. The Exposure Draft would have required that this Statement be effective for fiscal years beginning after December 15, 1994. The Board had previously stated its intention to address the accounting and reporting of insurance and reinsurance activities of mutual life insurance enterprises within the parameters of Statements 60, 97, and 113. Accordingly, the Board believed that that effective date would provide sufficient time to assimilate the requirements of this Statement and the SOP and to obtain the required information. The Board also concluded that the provisions of the proposed Statement and Interpretation 40 should be concurrently effective.

38. Many respondents urged the Board to delay the proposed effective date in the Exposure Draft. They pointed out that the Statement and SOP establish a fundamentally different basis of accounting for those mutual life insurance enterprises that currently prepare financial statements based on statutory accounting practices that differ significantly from generally accepted accounting principles. Respondents indicated that applying the Statement and the SOP to 1995 financial statements would be difficult if the final pronouncements were not issued until late 1994.

39. In its redeliberations, the Board discussed effective dates that would allow mutual life

insurance enterprises sufficient time to assimilate the requirements of this Statement and the SOP, obtain the required information, and develop systems to meet ongoing accounting and reporting requirements. The Board decided that a one-year delay of the proposed effective date to fiscal years beginning after December 15, 1995 would be adequate for that purpose. The AICPA similarly deferred the effective date of the SOP.

Deferral of the Effective Date of Interpretation 40

40. As issued, the general provisions of Interpretation 40 are effective for fiscal years beginning after December 15, 1994. Most respondents to the Exposure Draft that commented on the effective date agreed with the Board that this Statement, the SOP, and Interpretation 40 should be effective concurrently. Many respondents indicated that because the initial adoption of multiple accounting pronouncements is complex, the pronouncements should be adopted in the same reporting period. That complexity is primarily attributable to the interaction of insurance and noninsurance accounting standards. Also, several respondents stated that the understandability and comparability of financial statements of enterprises affected by this Statement, the SOP, and Interpretation 40 would be improved by concurrent adoption of all applicable authoritative accounting pronouncements in preparing financial statements in accordance with generally accepted accounting principles. Some respondents stated that because of limited accounting and actuarial resources, deferral of the effective date of Interpretation 40 would allow for a more orderly implementation of the provisions of this Statement, the SOP, and Interpretation 40.

41. The Board continues to believe that the understandability and comparability of financial reporting among insurance enterprises that elect to adopt generally accepted accounting principles would be improved by concurrent initial adoption of insurance and noninsurance accounting pronouncements. The Board concluded that the disadvantages to preparers, users, and auditors that would be caused by required adoption of Interpretation 40 one year before the required adoption of this Statement and the SOP outweigh the disadvantages of a one-year delay in the effective date of that Interpretation.

42. On September 30, 1994, the Board issued the Exposure Draft, *Applicability of Generally Accepted Accounting Principles to Mutual Life Insurance and Other Enterprises—Deferral of the Effective Date of FASB Interpretation No. 40*, which proposed deferring the effective date of Interpretation 40 by one year to fiscal years beginning after December 15, 1995. The Board received 10 comment letters on that Exposure Draft. A large majority of respondents supported the deferral. A few respondents repeated suggestions that were included in their comment letters on the March 1994 Exposure Draft and that are addressed in this basis for conclusions.

43. The Board concluded that (a) it could reach an informed decision on that Exposure Draft on the basis of existing information without a public hearing, (b) deferral of the general provisions of Interpretation 40 is necessary and a one-year deferral to fiscal years beginning after December 15, 1995 is appropriate, and (c) the amendment of Interpretation 40 as specified in

paragraph 10 is appropriately included in this Statement. The Board emphasized that the disclosures specified in paragraphs 5 and 6 of Interpretation 40 remain in effect.

Footnotes

FAS120, Footnote 1--The AICPA's SOP establishes the accounting for those participating life insurance contracts of mutual life insurance enterprises that meet the conditions in paragraph 5 of this Statement. Because the accounting for those contracts is not specified in any of the officially established accounting principles in category (a) of AICPA Statement on Auditing Standards No. 69, *The Meaning of "Present Fairly in Conformity With Generally Accepted Accounting Principles"* in the Independent Auditor's Report, SAS 69 recognizes the SOP as generally accepted accounting principles (category (b)) for those contracts.