

accounting guideline

AcG-21

accounting for life insurance contracts with cash surrender value

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PURPOSE AND SCOPE	
1	This Guideline establishes the accounting treatment for cash surrender value of a life insurance policy. This includes recognition and measurement of cash surrender value, presentation of policy premiums and change in cash surrender value, and related disclosures. This Guideline applies to an enterprise that is the owner and beneficiary of a life insurance policy with cash surrender value.
2	This Guideline only applies to life insurance policies with cash surrender value issued by a regulated insurance provider. This Guideline does not apply to insurance contracts where the reporting entity is the insurance provider.
DEFINITIONS	
3	Cash surrender value is the amount that would be realized by the owner of a life insurance policy upon termination of the policy prior to death of the insured.
4	A life insurance policy is a contract between a regulated insurance provider and a policy owner where the insurance provider will pay a benefit upon death of an insured party.
5	The owner of a life insurance policy is the person or entity that has authority to terminate the policy and determine the beneficiary of the death benefit.
RECOGNITION	
6	An enterprise shall recognize as an asset the cash surrender value of a life insurance policy when the enterprise becomes the owner and beneficiary of the underlying insurance contract.
MEASUREMENT	
7	An enterprise shall initially and subsequently at each reporting date measure cash surrender value at the amount that would be immediately realized upon termination of the policy prior to the death of the insured as provided by the issuer of the policy.
PRESENTATION	
8	An enterprise presents the difference between the aggregate policy premiums and the aggregate change in cash surrender value for the period on a net basis. A net credit is presented as income. A net debit is presented as an expense.
DISCLOSURE	
9	An enterprise shall disclose: <ul style="list-style-type: none"> (a) if not separately presented on the face of the balance sheet, the carrying amount of cash surrender value in aggregate for all insurance policies with cash surrender value and the caption in the balance sheet that includes cash surrender value; and (b) if not separately presented on the face of the income statement, the caption in the income statement that includes change in cash surrender value.
EFFECTIVE DATE AND TRANSITION	
10	This Guideline applies to annual financial statements relating to fiscal years beginning on or after January 1, 2026. Earlier application is permitted.

- 11 An enterprise shall apply this Guideline retrospectively, in accordance with ACCOUNTING CHANGES, Section 1506, but only to insurance policies that exist and have a cash surrender value on or after the beginning of the earliest period presented in the financial statements in which the enterprise first applies the Guideline.

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