

**Interpretation of the Emerging Accounting Issues Working Group****INT 01-28: Margin for Adverse Deviation in Claim Reserve****ISSUE NULLIFIED BY SSAP NO. 55****INT 01-28 Dates Discussed**

June 11, 2001; October 16, 2001

**INT 01-28 References**

*SSAP No. 55—Unpaid Claims, Losses and Loss Adjustment Expenses* (SSAP No. 55)

**INT 01-28 Issue**

1. SSAP No. 55 paragraph 11 directs management to record its “best estimate” of its unpaid claim liability. The term best estimate is generally understood not to prohibit any margin for adverse deviation. In general, practicing actuaries have included a margin for adverse deviation in their claim reserves for both life and A&H business. Paragraph 29 of the Preamble to the *Accounting Practices and Procedures Manual* speaks to conservatism. It states, “... the concept of conservatism should be followed when developing estimates as well as establishing accounting principles for statutory reporting.”

2. Actuarial Standard of Practice No. 5, *Incurred Health and Disability Claims* covers in course of settlement and incurred but unreported (IBNR) liabilities for Accident and Health (A&H) insurance. A new version of the standa