

Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of (FAS 121), is adopted in Issue Paper No. 40. The conclusion above rejects paragraph 52 of *FASB Statement No. 60, Accounting and Reporting by Insurance Enterprises* (FAS 60).

6. Recording property occupied by the company, net of any encumbrances, as an admitted asset is consistent with the Recognition Concept included in the Statement of Concepts. The Recognition Concept states,

The ability to meet policyholder obligations as predicated on the existence of readily marketable assets available when both current and future obligations are due. Assets having economic value other than those which can be used to fulfill policyholder obligations, or those assets which may be unavailable due to encumbrances or other third party interests should not be recognized on the balance sheet but rather should be charged against surplus when acquired or when availability otherwise becomes questionable.

Though in a depressed market it may take longer to liquidate than other invested assets, it is generally accepted that real estate is a marketable asset which is available to meet policyholder obligations.

7. So that the statement of operations and yield on invested assets of a reporting entity occupying its own real estate are comparable with a reporting entity that leases its offices under operating leases, rental income and expense are reported for the real estate occupied by the reporting entity. The rent charged should be comparable to the income that would be produced if the reporting entity was renting the real estate to a third party.

Drafting Notes/Comments

- Accounting for real estate is addressed in *Issue Paper No. 40—Real Estate Investments*.

10. Chapter 19, Investment Income and Net Realized Gains, in the Life/A&H Accounting Practices and Procedures Manual states:

Rent on Company-Owned Office Building

Real estate income from company-owned property includes rent received from the leasing of space to others and also an imputed rental charge for the portion of the building occupied by the company. This rental charge is made on the theory that such space can be rented to others; therefore, the company is entitled to income on its investment. Some states requires that this rent be comparable to rent received from others and/or rental rates of like property in the same area. It should be noted that an offsetting charge is made to rent expense.

11. Chapter 15, Investment Income and Net Realized Gains, in the P & C Accounting Practices and Procedures Manual contains similar wording related to

RELEVANT LITERATURE**Statutory Accounting**

- Statutory Accounting Principles Statement of Concepts and Statutory Hierarchy
- Accounting Practices and Procedures Manuals for Life and Accident and Health Insurance Companies, Chapter 4, Real Estate
- Accounting Practices and Procedures Manuals for Property and Casualty Insurance Companies, Chapter 4, Real Estate
- Accounting Practices and Procedures Manuals for Life and Accident and Health Insurance Companies, Chapter 19, Investment Income and Net Realized Gains
- Accounting Practices and Procedures Manuals for Property and Casualty Insurance Companies, Chapter 15, Investment Income and Net Realized Gains
- *Issue Paper No. 4—Definition of Assets and Nonadmitted Assets*
- *Issue Paper No. 40—Real Estate Investments*

Generally Accepted Accounting Principles

- *FASB Statement No. 60, Accounting and Reporting by Insurance Enterprises*
- *FASB Statement No. 121, Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of*