

**Interpretation of the Emerging Accounting Issues Working Group****INT 99-02: Accounting for Collateral in Excess of Debt Principal****ISSUE NULLIFIED BY SSAP NO. 91R****INT 99-02 Date Discussed**

December 7, 1998; March 8, 1999

**INT 99-02 References**

*SSAP No. 18—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*  
(SSAP No. 18)

**INT 99-02 Issue**

1. Insurers who borrow from Federal Home Loan Banks (“FHLB”) are required to pledge assets in excess of the principal amounts they borrow (while this issue emanates from reviewing a FHLB loan to an insurer, the same issue arises with regard to an over-collateralized loan to any reporting entity). Insurers must deposit assets pledged to secure FHLB loans with the lending FHLB, and do not have the ability to withdraw the requisite excess collateral unless the loan is repaid.
2. If an insurer (reporting entity) is required to secure a borrowing with assets/collateral in excess of the principal amount of the loan received, should that excess collateral be considered a non-admitted asset?
3. There does not appear to be any guidance on this issue in the current Accounting Practice and Procedure Manual. SSAP No. 18, paragraph 10 provides guidance on accounting for collateralized loans, but does not address excess collateralization.

**INT 99-02 Discussion**

4. The working group was unable to reach a consensus as to either to disclose the excess collateral in the notes to the financial statements or nonadmit the asset.

**INT 99-02 Status**

5. As the working group was unable to reach a consensus, this issue will be referred to the Accounting Practices and Procedures (E) Task Force for appointment to the Codification of Statutory Accounting Principles Working Group and further discussion.