

Interpretation of the Emerging Accounting Issues Working Group

INT 00-05: Exemption to Merger Disclosure in SSAP No. 3

ISSUE NULLIFIED BY SSAP NO. 3

INT 00-05 Dates Discussed

March 13, 2000; June 12, 2000

INT 00-05 References

SSAP No. 3—Accounting Changes and Corrections of Errors (SSAP No. 3)

INT 00-05 Issue

1. SSAP No. 3 includes the following guidance related to merger disclosures involving shell companies

12. For mergers, prior years' amounts in the Annual Statement shall be restated as if the merger had occurred as of January 1 of the prior year. Additionally, restatement shall be required for the two most recent years included in the Five Year Historical Summary. The Five Year Historical Summary shall include a footnote indicating that the other three years have not been restated. A reporting entity that merges with an entity which effectively is a shell company (i.e., the reporting entity has no outstanding underwriting liabilities) shall be exempt from the above requirements.

2. The issue is whether the merged entity is exempt from all the disclosure requirements or are they simply exempt from restating the two most recent years. Some individuals have interpreted the last sentence of paragraph 12 as no prior year history is required; in other words, they make a "fresh start".

INT 00-05 Discussion

3. The working group reached a consensus that regardless of whether one of the entities is a "shell company"; the prior period amounts shall only consist of the "non-shell company".

INT 00-05 Status

4. No further discussion is planned.