

## Interpretation of the Emerging Accounting Issues Working Group

### INT 01-27: Accounting Change versus Correction of Error

#### ISSUE NULLIFIED BY SSAP NO. 3

##### INT 01-27 Dates Discussed

June 11, 2001; October 16, 2001

##### INT 01-27 References

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

##### INT 01-27 Issue

1. SSAP No. 3 provides accounting guidance defining a change in accounting principle and a correction of an error. The NAIC *Accounting Practices and Procedures Manual* (the AP&P manual) authorizes a change resulting from the adoption of a Statement of Statutory Accounting Principles (SSAP) to be accounted for as a change in accounting principle in accordance with SSAP No. 3. However, the AP&P manual does not define the accounting period in which changes must be adopted.

2. The accounting issue is if additional changes related to the adoption of Statements of Statutory Accounting Principles are identified during subsequent quarters in the calendar year that were not recognized during the first quarter, should such changes be accounted for as a change in accounting principle or a correction of an error?

##### INT 01-27 Discussion

3. The working group reached a consensus that the cumulative effect of changes in accounting principles shall be reported as adjustments to unassigned funds (surplus) in the fiscal year of the change in accounting principle. The cumulative effect is the difference between the amount of capital and surplus at the beginning of the year and the amount of capital and surplus that would have been reported at that date if the new accounting principle had been applied retroactively for all prior periods. For example, adjustments to an amount recorded as of January 1, 2001, would be recorded as changes in accounting principle rather than corrections of an error through the period of 2001.

##### INT 01-27 Status

4. No further discussion planned.