

## Interpretation of the Emerging Accounting Issues Working Group

### INT 99-03: Accounting for Investment in Subsidiary, Controlled or Affiliated (SCA) Entities with Subsequent Downstream Investment in an Insurance Company

#### ISSUE NULLIFIED BY SSAP NO. 88

#### INT 99-03 Dates Discussed

December 7, 1998; March 8, 1999

#### INT 99-03 References

*SSAP No. 46—Investments in Subsidiary, Controlled, and Affiliated Entities* (SSAP No. 46)

#### INT 99-03 Issue

1. SSAP No. 46 defines the accounting for investments in SCAs by classifying them into three broad categories; 1) insurance SCAs, 2) noninsurance SCA entities that have no significant ongoing operations other than to hold assets that are primarily for the direct or indirect benefit or use of the reporting entity or its affiliates, and 3) noninsurance SCA entities that have significant ongoing operations beyond the holding of assets that are primarily for the direct or indirect benefit or use of the reporting entity or its affiliates. If the equity method of accounting is used, category (1) and (2) SCAs receive statutory equity accounting whereas category (3) SCAs receive audited GAAP equity accounting. An investment in an entity that in turn owns one or more insurance companies and noninsurance company's meets the definition of outlined in both category (1) and (3) SCAs.

2. Is an investment in an entity that in turn owns one or more insurance companies and noninsurance companies meet the definition of an insurance SCA or a noninsurance SCA that has significant ongoing operations beyond the holding of assets that are primarily for the direct or indirect benefit or use of the reporting entity or its affiliates?

#### INT 99-03 Discussion

3. The working group reached a consensus to clarify that the definition of an insurance SCA would apply to any entity that included an insurance company with its reporting or holding company structure.

#### INT 99-03 Status

4. No further discussion is planned.