

**Interpretation of the Emerging Accounting Issues Working Group****INT 99-28: Accounting for SCA Mutual Funds, Broker-Dealers and Similar Entities Under SSAP No. 46****ISSUE NULLIFIED BY SSAP NO. 88****INT 99-28 Dates Discussed**

October 4, 1999; December 6, 1999

**INT 99-28 References**

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

**INT 99-28 Issue**

1. SSAP No. 46 paragraphs 7.b.ii. and 7.b.iii. identify two equity methods of accounting – statutory and GAAP, respectively – to be used to account for noninsurance subsidiary, controlled or affiliated entities. The selection of a method depends upon whether the noninsurance SCA holds assets primarily for the direct or indirect benefit of the insurer or the noninsurance SCA has significant business operations beyond the holding of assets for the insurer. However, SSAP No. 46 also contains, in paragraph 8, an additional reference relative to whether or not primary operations of the SCA are provided or not provided to the insurance industry.

2. Should paragraph 7.b.ii. or paragraph 7.b.iii. apply to SCA mutual funds, broker-dealers or similar entities? The activities of these entities are investment operations and consequently, they engage in trading activities. Such entities are also highly likely to have third-party customers other than the owner/insurer; therefore, they have significant ongoing operations beyond holding assets for the primary benefit of the insurer. In addition, mutual funds, broker-dealers and similar organizations have their own specialized GAAP accounting, suited to their trading purposes.

**INT 99-28 Discussion**

3. The working group reached a consensus that SCA mutual funds and broker-dealers that are registered with the Securities and Exchange Commission, and have significant ongoing operations other than holding assets for the reporting entity, follow the valuation guidance outlined in paragraph 7.b.iii. of SSAP No. 46. That is, those entities should be valued using the audited GAAP equity method.

**INT 99-28 Status**

4. No further discussion is planned.