

October 4, 1999; December 6, 1999

46)

(SSAP No.

1. SSAP No. 46 defines the accounting for investments in SCA entities. The following guidance is included in paragraph 7 of SSAP No. 46:

accounting or the United States (U.S.) basis of accounting? For instance, if a reporting entity is domiciled in South Carolina and they own an insurance company located in Germany, does the company book the statutory equity as defined by German accounting or do they convert the financials to the statutory accounting prescribed or permitted in South Carolina? This scenario is also applicable to 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. Does the reporting entity use German GAAP or U.S. GAAP?

3. The working group reached a consensus that entities shall follow the guidance outlined in the Part 8, Section 3(g) for investments in foreign SCA entities defined in SSAP No. 46 paragraph 7.b.i. and 7.b.ii. For investments in foreign SCA entities defined in SSAP No. 46 paragraph 7.b.iii., entities shall use audited U.S. GAAP as the basis for valuation.

Part 8 - Section 3

(a) Admitted Asset Equivalent

Pursuant to this method, which may only be used for non-insurance SCA companies, the value of the common stock is limited to the value of those assets of the SCA company that would constitute lawful investments for the insurance company, if acquired or held directly by the insurance company. This is the sole valuation method that permits submission and use of an unaudited financial statement.

(g) Foreign Subsidiary

Pursuant to this provision, insurance companies may apply the Admitted Asset Equivalent method discussed in Section 3 (a) above to insurance companies organized in foreign countries. The basis for the calculation of value will be the financial statements of that insurance company for the most recent fiscal year, prepared by a certified public accountant.

4. No further discussion is planned.