# Interpretation of the Emerging Accounting Issues Working Group

# INT 01-24: Application of SSAP No. 46 and 48 to Certain Noninsurance Subsidiary, Controlled or Affiliated Entities

## ISSUE NULLIFIED BY SSAP NO. 88

### INT 01-24 Dates Discussed

May 3, 2001; June 11, 2001; October 16, 2001

### INT 01-24 References

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

Issue 4 - Insurance Company A owns 100% of a company, TPA4, that provides administrative services, including EDP processing, to Insurance Company A, Insurance Company B, Bank C and Manufacturing Company D. TPA4 owns the EDP equipment and software necessary to provide administrative services to its customers. Insurance Company A, Insurance Company B, Bank C and Manufacturing Company D are not affiliates, i.e. none of the four companies are related to one another. The processing that TPA4 does for Insurance Company A represents 40% of TPA4's business and revenues.

Issue 5 - Insurance Company A owns 100% of a company, TPA5, that provides claims administration services, including EDP processing, to Insurance Company A, Insurance Company B, numerous self-insured companies and Medicare. TPA5 owns the EDP equipment and software necessary to provide administrative services to its customers. Insurance Company A, Insurance Company B and the self-insured companies are not affiliates, i.e. they are not related to one another. Insurance Companies A and B may provide stop-loss coverage to some of the self-insured companies for whom TPA5 provides claims administration services. The processing that TPA5 does for Insurance Company A represents 51% of TPA5's business and revenues.

Issue 6 - Insurance Company A holds a 18.77% Partnership Interest in LP A. This fund however, they are not completed prior to the insurer filing its annual financial statements.

**INT 01-24 Discussion**

3. The working group reached the following:

Issue 1 - The working group reached a consensus that Insurance Company A would value its investment in TPA1 under the GAAP Equity Method.

Issue 2 - The working group was unable to reach a consensus on this issue.

Issue 3 - The working group reached a consensus that Insurance Companies A, B, C and D would value their respective investment in TPA3 under the Statutory Equity Method.

Issue 4 - The working group was unable to reach a consensus on this issue.

Issue 5 - The working group reached a consensus that Insurance Company A would value its investment in TPA5 under the Statutory Equity Method.

Issue 6 - The working group reached a consensus that Insurance Company A would value its investment in LP A under the GAAP Equity Method.

Issue 7 - The working group reached a consensus that Insurance Company A would value its investment in LP B under the GAAP Equity Method. The working group also reached a consensus that Insurance Company A would nonadmit the assets as audited GAAP financials are not available[1].

Issue 8 - The working group reached a consensus that Insurance Company A would value its investment in LLP C under the GAAP Equity Method. INT 01-22 speaks to the timing of the GAAP audits.

**INT 01-24 Status**

4. No further discussion planned.

[1] The Statutory Accounting Principles (E) Working Group adopted a nonsubstantive modification to SSAP No. 48 to incorporate a grandfathering provision for investments made prior to January 1, 2001 on December 10, 2001.