

Interpretation of the Emerging Accounting Issues Working Group**INT 99-01: Accounting for Tax Benefits of Operating Losses and Tax Credits in Quasi-Reorganizations****ISSUE NULLIFIED BY SSAP NO. 72****INT 99-01 Dates Discussed**

December 7, 1998; March 8, 1999

INT 99-01 References

SSAP No. 72—Surplus and Quasi-reorganizations (SSAP No. 72)

INT 99-01 Issue

1. SSAP No. 72 provides for quasi-reorganization accounting for insurers under certain limited circumstances. Quasi-reorganization accounting allows an insurer to increase and restate its unassigned funds deficit to \$0 with a like decrease to gross paid-in and contributed surplus. Quasi-reorganization accounting essentially allows for a “fresh start” for unassigned funds from the date of restatement. However, the SSAP is silent with regard how the tax benefits of operating losses or other tax credits which existed as of the date of the quasi-reorganization should be accounted for when such benefits or credits are subsequently realized.

2. Should the tax benefits of operating losses or tax credits existing at the date of a quasi-reorganization and subsequently recognized after the quasi-reorganization be recognized as income or an adjustment to gross paid-in and contributed surplus? Existing GAAP and SEC literature would suggest that subsequently recognized benefits not be recognized as income, but rather as an adjustment to contributed surplus.

INT 99-01 Discussion

3. The working group reached a consensus that the tax benefits of operating losses or tax credits existing at the date of a quasi-reorganization and subsequently recognized after the quasi-reorganization be recognized as an adjustment to gross paid-in and contributed surplus.

INT 99-01 Status

4. No further discussion is planned.