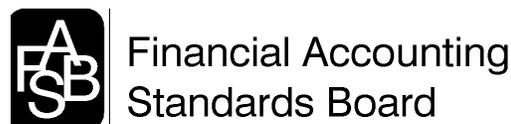


MINUTES



To: Board Members
From: Insurance Contracts Team
(Jourdan, ext. 273)
Subject: Minutes of the February 18, 2010, Joint Board Meeting (video):
Insurance Contracts
Date: March 2, 2010
cc: FASB: Bielstein, Golden, Stoklosa, Chookaszian, Posta, Guasp, Sutay, Klimek, Gabriele, McGarity, Proestakes, Cropsey, Trench, Lott, Hood, Brickman, Galloway (GASB), FASB Intranet; IASB: Leisenring, Clark, van der Veen, Hack, Jordan, Teixeira

The Board meeting minutes are provided for the information and convenience of constituents who want to follow the Board's deliberations. All of the conclusions reported are tentative and may be changed at future Board meetings. Decisions become final only after a formal written ballot to issue a final Accounting Standards Update.

Topic: Insurance Contracts—Universal life insurance and other account-driven contracts, Variable and unit-linked contracts – Separate accounts, Unbundling, Presentation of the performance statement

Basis for Discussion: Board Memorandums Nos. 39, 39A, 39B, 39C, 39D, 39E

Length of Discussion: 10:20 a.m. to 2:00 p.m. (Eastern)

Attendance:
Board members present: FASB: Herz, Smith, Siegel, and Linsmeier (via video)

Seidman (via proxy)

IASB: Tweedie, Cooper, Gelard
Leisenring, McConnell, Engström, Smith,
Finnegan, Wei-Guo, Danjou, Gomes,
Kalavacherla, Garnett and Mcgregor,
Yamada

Board members participating via
videoconference: None

Board member absent: None
Staff in charge of topic: van der Veen
Other staff at Board table: IASB: Clark, Hack
Staff participating by video: FASB: Cropsey, Trench, Proestakes,
Jourdan, Brickman, Golden

IASB: Upton

Summary of Decisions Reached:

The Boards discussed:

1. Whether to account for insurance, investment, and service components included in an insurance contract as if those components were separate contracts (unbundling)
2. Presentation of the performance statement
3. Assets and liabilities associated with unit linked contracts.

Unbundling

The Boards discussed whether to account for components of an insurance contract as if those components were separate contracts (that is, unbundle those components). The Boards did not reach a conclusion but instead asked the staff to develop further an approach that would not require unbundling for recognition and measurement if components are significantly interdependent. In developing that approach, the staff will research:

1. Whether an account balance functions independently of other components
2. Whether a surrender option would give rise to significant interdependence.

The Boards discussed two approaches for unbundling derivatives embedded in insurance contracts:

1. Use the unbundling approach that is being developed for insurance contracts
2. Use existing requirements in the Boards' standards on financial instruments.

The IASB decided tentatively to use the approach being developed for insurance contracts, subject to satisfactory completion of the work on that approach. The FASB

deferred reaching a decision until the staff develops further guidance on interdependency.

Presentation of the performance statement

The Boards discussed the presentation of the performance statement for insurance contracts and decided tentatively that:

1. The measurement approach should drive the presentation model for the performance statement.
2. The staff should further develop an expanded margin approach.

Assets and liabilities associated with unit linked contract

The Boards discussed whether the invested fund into which the premium is deposited represents an asset and corresponding liability of the insurance entity. The Boards decided tentatively that assets and related liabilities associated with unit linked contracts, including those sometimes described as separate accounts, should be reported as the insurer's assets and liabilities in the statement of financial position.

The Boards also decided tentatively not to address in this project issues involving the consolidation of investment funds associated with unit-linked contracts (including separate account contracts). Such issues are within the scope of the project on consolidation.

Next steps

The Boards will continue their discussion of this project at their meetings in March.