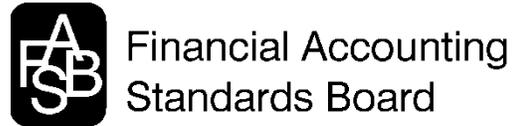


MINUTES



To: Board Members
From: Insurance Contracts Team
(Lindemuth, ext. 442)
Subject: Minutes of the February 17, 2011,
Joint Board Meeting: Insurance
Contracts **Date:** February 24, 2011
cc: FASB: Bielstein, Golden, Stoklosa, Chookaszian, Posta, Guasp, Sutay,
Klimek, Gabriele, McGarity, Proestakes, Lott, Hood, Brickman, Weiner,
Kuhaneck, Lindemuth, Handy, Montgomery, Galloway (GASB), FASB
Intranet; IASB: Clark, Hack, Pryde, Zeitler, d'Eri, Vermaak, Yeoh, 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—Axioms and
Discount Rates

Basis for Discussion: FASB Memo Nos. 58A, 58D/
IASB Agenda Papers 3A, 3D

Length of Discussion: 12:00pm to 1:30pm (EST)

Attendance:

Board members present: FASB: Golden, Linsmeier, Seidman,
Smith, and Siegel

IASB: Tweedie, Cooper, Danjou,
Engström, Finnegan, Gomes,
Kalavacherla, König, McConnell,
McGregor, Pacter, J. Smith, Yamada,
and Zhang

Board member absent: None

Staff in charge of topic:	Weiner, Yeoh, and Pryde
Other staff at Board table:	IASB: Clark, Hack, Zeitler, d'Eri, and Vermaak
Staff participating by video:	FASB: Hildebrand, Lindemuth, Montgomery, and Proestakes

Type of Document and Timing Based on the Technical Plan:

Please refer to the current technical plan for information about the expected release dates of exposure documents and final standards.

Summary of Decisions Reached:

The IASB and the FASB continued their discussions on insurance contracts by considering project axioms and assumptions and the discount rate for nonparticipating contracts.

Project Axioms and Assumptions

The Boards tentatively confirmed the axioms and assumptions (listed below) that will underlie the development of the project's future direction. Those axioms and assumptions will provide a common understanding of the factors that will influence the staff in their analysis and will be a starting point for further decisions. In addition, the IASB noted that the model would be developed on the assumption that the financial assets backing the insurance contracts would be measured in accordance with IFRS 9, *Financial Instruments*. The IASB has no current plans to change the classification and measurement requirements in IFRS 9.

Axioms

1. An ideal measurement model would report all economic mismatches (including duration mismatches) that exist and would not cause any accounting mismatches.
2. An ideal accounting model should reflect both the intrinsic value and the time value of options and guarantees embedded in insurance contracts.
3. Money has a time value, and an entity more faithfully represents its position when it measures its liabilities in a way that includes the time value of money.

Assumptions

1. The Boards will develop a standard specifically for insurance contracts, rather than requiring current or proposed generic guidance that might otherwise apply (for example, revenue recognition or financial instruments guidance). That standard would apply to insurance contracts rather than a particular class of entities considered to be an insurance company.
2. The standard will deal with the accounting for insurance contracts from the perspective of the insurer, and not for the assets backing the contracts. For the IASB, the financial assets backing the contracts would be measured in accordance with IFRS 9.
3. The Boards will develop a standard based on an accounting model that regards insurance contracts as creating a bundle of rights and obligations that work together to generate a package of cash inflows and outflows.
4. In general, the final standard will measure insurance contracts at the portfolio level.
5. The accounting model should be based on current estimates, rather than carrying forward estimates made at contract inception and inputs that are consistent with observable market data, where available.
6. The cash flows incorporated in the measurement of the insurance liability are those that will arise as the insurer fulfils the insurance contract.
7. The model will use the expected value of future cash flows rather than a single, most likely outcome.
8. The measurement of the liability will not reflect changes in the insurer's own credit standing.

All IASB and FASB members supported these axioms and assumptions, noting that the axioms and assumptions will be revised if necessary.
(Vote—IASB: unanimous; FASB: unanimous)

Discount Rate for Nonparticipating Contracts

The Boards did not complete their discussion on the discount rate for nonparticipating insurance contracts. The Boards will continue that discussion at a future meeting.

General Announcements: None.