

MINUTES



To: Board Members
From: Insurance Contracts Team
(Lindemuth, ext. 442)
Subject: Minutes of the March 22, 2011,
Joint Board Meeting: Insurance
Contracts **Date:** April 12, 2011
cc: FASB: Bielstein, Golden, Stoklosa, Chookaszian, Posta, Guasp, Sutay,
Klimek, Gabriele, McGarity, Proestakes, Lott, Hood, Brickman, Weiner,
Kuhaneck, Hildebrand, Lindemuth, 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—Risk Adjustment,
Contract Boundary

Basis for Discussion: FASB Memo Nos. 61, 61A, 61B, 61C /
IASB Agenda Papers 12, 12A, 12B,
12C

Length of Discussion: 8:00am to 11:45am (EST)

Attendance:

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

Board members participating
By video: IASB: Tweedie, Cooper, Danjou,
Engström, Finnegan, Gomes,
Kalavacherla, König, McGregor,
Pacter, Scott, Smith, Wei-Guo, and
Yamada

Board members participating by video:	IASB: McConnell
Staff in charge of topic:	FASB: Weiner IASB: Yeoh and Pryde
Other staff participating by video:	IASB: Hack, Zeitler, d'Eri, Ruta, and Vermaak
Staff members present:	FASB: Cospers, Proestakes, Hildebrand, Kuhaneck, Lindemuth, and Montgomery IASB: Clark

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 the following topics:

1. Risk adjustment
2. Contract boundary.

Risk Adjustment

The Boards invited guest speakers to continue the education session from March 15, 2011, on risk adjustments. The purpose of this education session was to give the Boards information on how a risk adjustment is calculated in practice, by using a probability of sufficiency approach (akin to a confidence interval) for financial reporting in Australia and a cost of capital approach to report under Economic Value Management.

The Boards were not asked to make any decisions on this topic.

Contract Boundary

The Boards tentatively decided that:

1. Contract renewals should be treated as a new contract:
 - a. When the insurer is no longer required to provide coverage; or
 - b. When the existing contract does not confer any substantive rights on the policyholder.

2. A contract does not confer on the policyholder any substantive rights when the insurer has the right or the practical ability to reassess the risk of the particular policyholder and, as a result, can set a price that fully reflects that risk.
3. For contracts for which the pricing of the premiums does not include risks relating to future periods, a contract does not confer on the policyholder any substantive rights when the insurer has the right or the practical ability to reassess the risk of the portfolio that the contract belongs to and, as a result, can set a price that fully reflects the risk of that portfolio.
4. All renewal rights should be considered in determining the contract boundary whether arising from a contract, from law, or from regulation.

(Vote: IASB—11 to 4; FASB—Unanimous)

General Announcements: None.