

## MINUTES



**To:** Board Members  
**From:** Insurance Contracts Team  
(Lindemuth, ext. 442)  
**Subject:** Minutes of the April 27, 2011,  
Joint Board Meeting: Insurance  
Contracts **Date:** May 6, 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—Modified Approach

Basis for Discussion: FASB Memo No. 65 - errata  
IASB Agenda Papers 1 - errata

Length of Discussion: 8:00am to 10:30am (EST)

Attendance:

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

Board members participating  
by video: IASB: Tweedie, Cooper, Danjou,  
Engström, Finnegan, Gomes,  
Kalavacherla, McGregor, Pacter, Scott,  
and Yamada

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

**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. The Boards discussed whether a different approach should be used for the accounting in the preclaims period for contracts, typically of short duration, that meet specified criteria. In particular, the Boards discussed what those criteria might be and whether that different approach was a proxy for the building-block approach or a separate model.

The Boards tentatively decided that:

1. They would consider whether the preclaims obligation should reflect the time value of money, based on their tentative decision in the revenue recognition project on reflecting the time value of money.
2. The insurer should reduce the measurement of the preclaims obligations over the coverage period as follows:
  - a) On the basis of time, but
  - b) On the basis of the expected timing of incurred claims and benefits if that pattern differs significantly from the passage of time.

3. An insurer should perform an onerous contract test if facts and circumstances indicate that the contract has become onerous in the preclaims period.

(FASB: Unanimous; IASB: Unanimous)

In addition, the IASB tentatively decided that an insurer should deduct from the preclaims obligation measurement the acquisition costs that would be included in the measurement of the insurance contract liability under the building-block approach. The FASB did not vote on this issue.

(FASB: N/A; IASB: 9 Yes, 5 No)

**General Announcements:** None.