

MINUTES



MEMORANDUM

**To:** Board Members  
**From:** Insurance Team (Konetzke x442)  
**Subject:** Minutes of the August 27, 2014,  
Board Meeting on Targeted  
Improvements to the Accounting for  
Long-Duration Contracts  
**Date:** September 17, 2014  
**cc:** Sutay

*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 an Accounting Standards Update or a Statement of Financial Accounting Concepts.*

Topic: Insurance—Targeted Improvements to the  
Accounting for Long-Duration Contracts

Basis for Discussion: FASB Memo 124: Liability for Future Policy  
Benefits  
FASB Memo 125: Discount Rate Used to  
Reflect Time Value of Money in the Calculation  
of the Liability for Future Policy Benefits  
FASB Memo 126: Premium Deficiency and  
Loss Recognition

Length of Discussion: 8:00 AM to 10:00 AM

Attendance:

Board members present: Golden, Kroeker, Buck, Linsmeier, Schroeder,  
Siegel, Smith

Board members absent:

Staff in charge of topic: M. Brown

Other staff at Board table: Cospers, Proestakes, Richer, Shah, Brickman,  
Silver, Konetzke

Outside participants: None

**Type of Document and Timing Based on the Technical Plan:**

The Board met to discuss issues relating to the development of a FASB Accounting Standards Update addressing targeted improvements to the accounting for long-duration contracts.

The Board has not yet determined the timing of the release of that Update.

**Tentative Board Decisions:**

The Board discussed issues related to the liability for future policy benefits for long-duration insurance contracts.

*Periodic Assumption Update*

The Board decided to require that insurance entities update all assumptions used in calculating the liability for future policy benefits for traditional long-duration contracts, limited payment contracts, and participating life insurance contracts periodically.

(Vote: unanimous)

The Board decided that assumptions used to calculate the liability for future policy benefits for traditional long-duration contracts, limited payment contracts, and participating life insurance contracts should be updated annually.

| (Vote: 4-5 to 3-2)

The Board decided that the annual update should occur during the fourth quarter.

(Vote: 4 to 3)

The Board also decided that the effects of changed assumptions should be included in the determination of net income.

(Vote: unanimous)

The Board decided that a provision for adverse deviation should not be included in the calculation of the liability.

(Vote: unanimous)

The Board also decided to require that entities disclose information about the liability for future policy benefits and the assumptions used. These disclosures include:

1. Disaggregated balance of the liability for future policy benefits and the weighted-average discount rates used to measure the liability for future policy benefits in time bands, and any additional information about amounts and rates within the time bands provided that significantly affect the discount rates
2. Disaggregated quantitative and qualitative information about the methods and inputs used to develop the measurement of the liability for future policy benefits, including disclosure of assumptions used (such as discount rate, mortality, morbidity, termination [lapse], and expense assumptions)
3. Disaggregated reconciliations from the opening to the closing balance of the liability for future policy benefits, with separate disclosure of changes in the liability for future policy benefits due to new contracts, benefit payments, changes in assumptions, and derecognition of contracts.

(Vote: unanimous)

The Board decided that the guidance proposed for the periodic assumption update for traditional long-duration contracts, limited payment contracts, and participating life insurance contracts would apply for updating assumptions used to calculate the additional liability for universal life-type contracts.

(Vote: unanimous)

#### *Premium Deficiency and Loss Recognition*

As a result of its decision to require that insurance entities annually update all assumptions used in the calculation of the liability for future policy benefits, the Board decided that a premium deficiency test would not be required.

(Vote: unanimous)

#### *Next Steps*

The Board directed the staff to do additional research on the discount rate used to calculate the liability for future policy benefits. The Board will continue to deliberate the discount rate and other targeted improvements to accounting for long-duration contracts at a future Board meeting.

#### **General Announcements:**

None.