

MINUTES



Financial Accounting
Standards Board

To: Board Members
From: Insurance Contracts Team
(Jourdan, ext. 273)
Subject: Minutes of the October 28, 2009,
Joint Board Meeting: Insurance
Contracts
Date: January 18, 2010
cc: FASB: Bielstein, Golden, Stoklosa, Chookaszian, Posta, Guasp, Sutay, Klimek,
Gabriele, McGarity, Proestakes, Cropsey, Trench, Lott, Hood, Brickman,
Galloway (GASB), FASB Intranet; IASB: Clark, van der Veen, Hack, Jordan

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.

Topic: Insurance Contracts—Resolution of
Significant Tentative Decisions and
Presentation of Performance Statement

Basis for Discussion: Board Memorandums Nos. 13, 13A, 13B,

Length of Discussion: 8:20 a.m. to 10:20 a.m.(Eastern)
12:30 p.m. to 12:55 p.m. (Eastern)

Attendance:

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

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

Board members absent: Engström
Staff in charge of topic: Trench and Cropsey
Other staff at Board table: Golden
IASB: Clark

Summary of Decisions Reached

The Boards discussed whether the scope of the insurance contracts project should address all policyholder accounting rather than only the accounting for the cedant in a reinsurance contract. As a result of those discussions, the Boards asked the staff to prepare an analysis of policyholder accounting with the goals of:

1. Identifying possible issues arising from lack of symmetry between policyholder accounting and the accounting by the issuer of the insurance contract, and
2. Any similarities with accounting for reinsurance contracts from the perspective of the policyholder.

The Boards also discussed the similarities and differences between their preliminary decisions on a measurement approach. At a high-level, the Boards agreed with a three building block approach (current estimates of [expected, that is, probability-weighted] future cash flows, incorporation of time value of money, and an explicit margin). The Boards asked the staff to analyze the potential remaining differences between the FASB's measurement approach (current fulfilment value) and the IASB's measurement approach (developed in its project to amend IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*). In this analysis, the Boards asked the staff to draft language to clarify the measurement objective including the role of an uncertainty adjustment under both the IASB and FASB measurement approaches. The goal of the analysis is to arrive at a converged tentative decision on measurement.

The Boards also affirmed that an insurer should recognize all acquisition costs as an expense when incurred. In addition, both Boards agreed that the insurer should not recognize a part of the premium as revenue (or income) at inception equal to the acquisition costs incurred. The FASB Board unanimously agreed to this decision, while the IASB Board voted 8-6 in favor of the decision.

The Boards discussed the presentation of the performance statement (statement of comprehensive income). This discussion was intended to be educational in nature and the Boards were not asked to make a decision.