

MINUTES



Financial Accounting
Standards Board

To: Board Members
From: Insurance Contracts Team
(Jones, ext. 384)
Subject: Minutes of the June 9, 2010, FASB Board Meeting: Insurance Contracts
Date: June 16, 2010
cc: FASB: Bielstein, Golden, Stoklosa, Chookaszian, Posta, Guasp, Sutay, Klimek, Gabriele, McGarity, Proestakes, Cropsey, Trench, Lott, Hood, Brickman, Galloway (GASB), FASB Intranet; IASB: Leisenring

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—Short-term
Insurance Contracts

Basis for Discussion: Board Memos No. 48 through No. 48B

Length of Discussion: 9:15 a.m. to 11:30 a.m. EST

Attendance:

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

Staff in charge of topic: Cropsey

Other staff at Board table: FASB: Trench, Proestakes, Jourdan,
Jones, Brickman, Ampofo, and Golden

Type of Document and Timing Based on the Technical Plan:

The Board met to discuss issues relating to the development of an Exposure Draft addressing insurance contracts.

The Board's technical plan calls for that Exposure Draft to be issued in the second quarter of 2010.

Summary of Decisions Reached:

The Board discussed a premium allocation approach (an unearned premium approach) intended to simplify accounting for certain short-term insurance contracts. The Board tentatively decided that:

1. The proposed model would require an insurance entity to apply the premium allocation approach to insurance contracts. In the future, the Board will discuss the factors relevant for determining when the premium allocation approach would apply. Those factors will include:
 - a. A short-term coverage period, which needs to be further defined
 - b. No significant embedded derivatives (options or guarantees)
 - c. The type of insured event.

2. The claims liability should be discounted unless the effect is not material.

The Board also discussed the need for a liability adequacy test (on the unearned premium liability).

The Board asked the staff to provide additional information about:

1. The appropriate coverage period and type of insured events for an insurance contract to qualify for the premium allocation approach.
2. The effect of a retrospective rating feature on an insurance contract otherwise eligible for the premium allocation approach.

General Announcements: None.