

MINUTES



To: Board Members
From: Insurance Contracts Team
(Montgomery, ext. 445)
Subject: Minutes of the January 19, 2011,
Joint Board Meeting: Insurance
Contracts **Date:** January 21, 2011
cc: FASB: Bielstein, Golden, Stoklosa, Chookaszian, Posta, Guasp, Sutay,
Klimek, Gabriele, McGarity, Proestakes, Lott, Hood, Brickman, Weiner,
Kuhaneck, Jones, Handy, 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—Comment Letter Summaries

Basis for Discussion: FASB Memo Nos. 55A, 55B, 55C / IASB Agenda Papers 3A, 3B, 3C

Length of Discussion: 12:00pm to 2:00pm (EST)

Attendance:

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

IASB: Tweedie, Cooper, Danjou, Engström, Finnegan, Gomes, Kalavacherla, König, McConnell, McGregor, Pacter, Scott, Smith, Yamada, and Wei-Guo

Board member absent: None

Staff in charge of topic: Weiner, Yeoh, and Pryde

Other staff at Board table: IASB: Clark, Hack, Zeitler, d'Eri, and Vermaak
Staff participating by video: FASB: Proestakes, Kuhaneck, Montgomery, and Lindemuth

Type of Document and Timing Based on the Technical Plan:

The Boards met to discuss issues relating to the development of a proposed Accounting Standards Update (FASB) and a final International Financial Reporting Standard (IFRS) (IASB) addressing insurance contracts.

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 FASB and the IASB had invited guest speakers to an education session on potential discount rates for nonparticipating insurance contracts. The IASB's Exposure Draft, *Insurance Contracts*, and the FASB's Discussion Paper, *Preliminary Views on Insurance Contracts*, had both proposed a bottom-up determination of the discount rate that starts with a risk-free interest rate and adds an adjustment for illiquidity. The guest speakers provided presentations on, as an alternative, various top-down approaches that start with the return on a specified portfolio of assets and then deduct components that do not reflect the characteristics of the insurance liability being measured. The approaches discussed were:

1. Economic default adjusted discount rate (EDAR); speaker Rob Esson, National Association of Insurance Commissioners (NAIC) and the International Association of Insurance Supervisors (IAIS)
2. Reference asset portfolio-based discount rate; speakers Francesco Nagari and Andrew Smith, Deloitte LLP
3. Asset-linked discount rate; speaker Nick Bauer, Eckler Ltd.

No decisions were made.

General Announcements: None.