

MINUTES



Financial Accounting
Standards Board

To: Board Members
From: Insurance Contracts Team
(Lindemuth, ext. 442)
Subject: Minutes of the June 15, 2011,
Joint Board Meeting: Insurance
Contracts **Date:** June 24, 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—Statement of comprehensive income

Basis for Discussion: FASB Memo No. 70A
IASB Agenda Paper 3A

Length of Discussion: 4:00am to 5:30am (EST)

Attendance:

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

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

Staff in charge of topic:	FASB: Weiner IASB: Yeoh and Pryde
Staff members present:	IASB: Clark, Hack, Zeitler, d'Eri, Ruta, and Vermaak
Other staff participating by video:	FASB: Lindemuth and North

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 by discussing the presentation of the statement of comprehensive income.

Presentation of the Statement of Comprehensive Income

The Boards indicated a preference for the presentation model outlined in Example 2 in Appendix A of Agenda Paper 3A /FASB Memo No. 70A. The example presents the underwriting results of contracts measured under the building-block approach separately from contracts measured using the modified approach and includes volume information as follows:

1. Line items for the underwriting margin of insurance contracts that present the following amounts for the reporting period:
 - a. Building-block approach underwriting margin reflecting:
 - i. Change in/release of
 - (1) Risk adjustment (IASB)

- (2) Residual margin (IASB)
 - (3) Composite margin (FASB)
 - ii. Experience adjustment related to the current period disaggregated as:
 - (1) Premium due
 - (2) Claims incurred
 - (3) Expenses incurred
 - (4) Expected net changes in the liability for the period
 - iii. Changes in assumptions
 - iv. Gains and losses at initial recognition
- b. Modified approach underwriting margin reflecting:
 - i. Change in/release of
 - (1) Risk adjustment (IASB)
 - (2) Composite margin (FASB—if applicable)
 - ii. Premium revenue (based on the release of the preclaims obligation grossed up for amortization of acquisition costs)
 - iii. Claims incurred
 - iv. Expenses incurred
 - v. Amortization of acquisition costs included in the preclaims obligation
 - vi. Experience adjustments related to the current period
 - vii. Changes in assumptions
 - viii. Changes in additional liabilities for onerous contracts

2. Investment performance:

- a. Investment income
 - b. Interest accreted on the expected net cash flows
3. Changes in discount rate.

The Boards discussed whether they would require all insurers to present each of the above line items in all cases on the statement of comprehensive income, rather than in the notes. No decision was made.

Next Steps

The Boards will continue their discussion of insurance contracts at their July meeting.

General Announcements: None.