

MINUTES



To: Board Members
From: Insurance Contracts Team (Silva, x445)
Subject: Minutes of the November 30, 2011, FASB Board Meeting: Insurance Contracts
Date: December 2, 2011
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 Contracts—Accounting for Participation Features

Basis for Discussion: FASB Memo No. 76A

Length of Discussion: 10:30 a.m. to 11:00 a.m. (EST)

Attendance:

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

Staff in charge of topic: FASB: Weiner

Staff members present: FASB: Cospers, Brickman, Proestakes, Ampofo, Irwin, Alexander, Lindemuth, Silva, King

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 FASB continued its discussions on insurance contracts by considering the measurement of cash flows of insurance contracts that contractually depend wholly or partly on the performance of other assets or liabilities of the insurer or on the performance of the insurer itself.

Accounting for Participation Features

The FASB tentatively decided the following, as it relates to the measurement of insurance contract fulfillment cash flows and to the measurement of the obligation from any nondiscretionary performance-linked participating features that both contractually depend wholly or partly on the performance of other assets or liabilities recognized on the insurer's statement of financial position, or the performance of the insurer itself, and are a component of an insurance contract's obligations:

1. The obligation due to the performance-linked participating features should be measured based on an insurer's current liability (that is, the contractual obligation incurred to date) adjusted to eliminate accounting mismatches that reflect timing differences between the current liability and the measurement of the underlying items in the U.S. GAAP/IFRS statement of financial position that are expected to reverse within the boundary of the insurance contract. An underlying item is defined as the asset or liability (or group of assets or liabilities) on which the cash flows resulting from the participation feature depend.

(Unanimous)

2. Any changes in the liability for the performance-linked participating features should be presented in the same way within the statement of comprehensive income (that is, consistently in net income and/or other comprehensive income) as the changes in the underlying item.

(Unanimous)

3. No further adjustments to the measurement of the liability for the performance-linked participating features are deemed necessary for the purposes of reflecting expected cash flows.

(Unanimous)

Next Steps

The FASB and the IASB will continue their joint discussions on insurance contracts in the week of December 12, 2011.

General Announcements: None.