

MINUTES



To: Board Members

From: Insurance Contracts Team (Silva, x445)

Subject: Minutes of the November 16, 2011, Joint Board Meeting: Insurance Contracts **Date:** November 23, 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—Disaggregation of Explicit Account Balances

Basis for Discussion: FASB Memo Nos. 75, 75A

Length of Discussion: 7:30 a.m. to 10:15 a.m. (EST)

Attendance:

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

IASB: Hoogervorst, Mackintosh, Cooper, Danjou, Engström, Finnegan, Gomes, Kalavacherla, König, McConnell, Ochi, Pacter, Scott, Smith, Zhang

Staff in charge of topic: FASB: Weiner

IASB: Pryde

Staff members present:

FASB: Cosper, Brickman, Proestakes,
Ampofo, Irwin, North, Alexander,
Lindemuth, Silva, King

IASB: Lloyd, Clark, Zeitler, Ruta,
Vermaak, Knuble, Obst

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 considering the accounting for explicit account balances within insurance contracts. In addition, the IASB and FASB received an oral update of the feedback received at the IASB's Insurance Working Group held on October 24, 2011.

Disaggregation of Explicit Account Balances

The FASB tentatively decided to separate explicit account balances from the insurance contract liability. Explicit account balances are account balances within a contract that meet both of the following criteria:

1. The balance is an accumulation of the monetary amount of transactions between the policyholder and an insurer.
2. The balance is credited with an explicit return. A return is explicit if it is determined by applying either of the following to the balance:
 - a. A contractual formula in which the insurer may have the ability to reset the return rate during the life of the contract.
 - b. An allocation determined directly by the performance of specified assets.

(FASB: Unanimous)

IASB members indicated their preference to measure explicit account balances as part of the insurance contract and to disaggregate them for presentation or disclosures. IASB members indicated that they would like to explore an approach in which some other deposit components of insurance contracts could be disaggregated in the same way. The Boards plan to consider at a future meeting:

1. Whether there are additional account balances that should be separated from the insurance contract liability.
2. How income and expense items related to the explicit account balances should be recognized in the statement of comprehensive income.
3. Whether to measure separated account balances:
 - a. Using requirements other than those being developed in the insurance contracts project; or
 - b. As part of the insurance contract and to disaggregate those account balances for presentation or disclosure.

Next Steps

Both Boards will continue their joint discussions on insurance contracts in the week commencing December 12, 2011. The FASB plans to hold an education session on participating contracts on November 22, 2011, with the Board meeting to follow on November 30, 2011.

General Announcements: None.