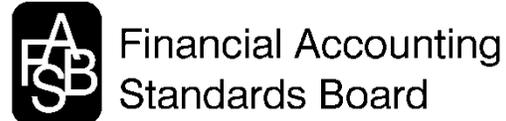


MINUTES



To: Board Members
From: Insurance Contracts Team
(King, ext. 340)
Subject: Minutes of the June 12, 2012, Joint
Board Meetings: Insurance Contracts
Date: June 18, 2012
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—Earned
Premiums, Unbundling: Allocation of
Cash Flows

Basis for Discussion: FASB Memo Nos. 84, 84A, 84B, 84C

Length of Discussion: 6:00 a.m. to 10:00 a.m. (EST)

Attendance:

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

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

Staff in charge of topic: FASB: Weiner

IASB: Pryde

Staff members present: FASB: Cosper, Proestakes, Irwin,
Ampofo, Alexander, Brickman, Silva,
King, Barton

IASB: Lloyd, Clark, Knubley, Yeoh,
Brown, Ruta

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 and the IASB continued their discussions on insurance contracts by exploring a method of measuring earned premiums for presentation in the statement of comprehensive income and considering how to attribute cash flows to the unbundled components of bundled insurance contracts in order to measure those unbundled components.

Method of Measuring Earned Premiums

The Boards discussed an approach to derive a measure of earned premiums. The Boards agreed to explore further the usefulness of the information and the extent of any operational difficulties. In particular, the Boards would seek feedback from users and preparers. No decisions were made at this meeting.

How to Attribute Cash Flows to Unbundled Components

The Boards tentatively decided that:

1. An insurer should attribute cash flows to an investment component and to an embedded derivative on a standalone basis. This means that an insurer would measure an investment component or embedded derivative as if it had issued that item as a separate contract. The insurer would thus not include the effect of any cross-subsidies or discounts/supplements in the investment component.
2. After excluding the cash flows related to unbundled investment components and embedded derivatives:
 - a. The amount of consideration and discounts/ supplements should be attributed to the insurance component and/or service component in accordance with proposals in paragraphs 70-80 of the Exposure Draft, *Revenue from Contracts with Customers*.
 - b. Cash outflows (including expenses and acquisition costs) that relate directly to one component should be attributed to that

component. Cash outflows related to more than one component should be allocated to those components on a rational and consistent basis, reflecting the costs that the insurer would expect to incur if it issued that component as a separate contract. Once cash outflows are attributed to components, the insurer would account for those costs in accordance with the recognition and measurement requirements that apply to that component.

(FASB: Unanimous, IASB: Unanimous)

Next Steps

The Boards will continue their discussion on insurance contracts in the week commencing July 16, 2012.

General Announcements: None.