

MINUTES



To: Board Members

From: Insurance Contracts Team (King, ext. 340)

Subject: Minutes of the September 5, 2012, FASB Board Meeting: Insurance Contracts **Date:** September 5, 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—Unlocking of the Single Margin

Basis for Discussion: FASB Memo No. 88B

Length of Discussion: 7:30 a.m. to 7:50 a.m.

Attendance:

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

Staff in charge of topic: Weiner

Other staff at Board table: Cospers, Proestakes, Irwin, Alexander, King, Barton, Jacob

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 Board continued its discussions on insurance contracts by considering whether the single margin measured at the initial recognition of the contract should subsequently be unlocked for changes in estimates of cash flows used to measure the insurance liability or for a portfolio of onerous contracts.

The Board tentatively decided that:

1. The single margin on a portfolio of contracts should not be unlocked for changes in actual or expected cash flows, and, instead, such changes should be reported in the income statement immediately.
2. If an insurer determines that a portfolio of contracts is onerous, an additional liability (measured as the present value of future payments for benefits and related settlement and maintenance costs less the present value of future gross premiums less the insurance contract liability) should be recognized with a corresponding offset to eliminate any remaining margin. If the additional liability exceeds the remaining margin, an insurer would recognize an expense for the excess amount.
3. The write-off of the single margin on contracts deemed onerous may not be reversed in future periods.

(FASB: Unanimous)

Next Steps

The Board will continue its discussion of insurance contracts in the week beginning September 17, 2012.

General Announcements: None.