

MINUTES



To: Board Members
From: Insurance Contracts Team
(King, ext. 340)
Subject: Minutes of the October 3, 2012,
FASB Board Meeting: Insurance Contracts
Date: October 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— Measurement of the Aggregate Premium for the Insurance Component

Basis for Discussion: Memo No. 88A

Length of Discussion: 1:00 p.m. to 2:00 p.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: Cosper, Proestakes, Irwin, Brickman, 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 FASB continued its discussions on insurance contracts by considering the measurement of the aggregate premium for the insurance component of an insurance contract.

The Board tentatively decided that an insurer should allocate an amount of consideration to the insurance component for each period, resulting in premium recognized in the statement of comprehensive income, equal to the (implicit or explicit) cost of insurance and other fees charged that period to the policyholder account balances. That amount may be calculated by deducting from total consideration the amount, if any, allocated that period to an investment component (and thus excluded from the premium presented in the statement of comprehensive income). The amount of consideration allocated to the investment component for each period may be determinable as follows:

- +/- increase (decrease) in the amount of the cash surrender value (or other account balance the policyholder is entitled to through lapse, etc.) for the period
- + the amount of surrenders
- + the cash surrender value included in any death benefits paid
- interest credited
- = consideration allocated to the investment component.

(FASB: 4 to 3)

The Board may reconsider this decision at a later date in connection with the decision yet to be made about the premium recognition pattern.

Next Steps

The FASB and the IASB will continue joint discussions in the week beginning October 15, 2012.

General Announcements: None.