

MINUTES



MEMORANDUM

To: Board Members
From: Insurance Team
(Konetzke x442)
Subject: Minutes of July 16, 2014, Board Meeting on Short-Duration Contracts
Date: July 29, 2014
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—Disclosures about Short-Duration Contracts

Basis for Discussion: FASB Memo 121: Disclosures about Health Insurance Claims, Audit Considerations, Other Qualitative Information, Re-exposure and Effective Date
FASB Memo 122: Reinsurance Contracts and Risk Transfer

Length of Discussion: 1:15 PM to 3:45 PM

Attendance:

Board members present: Golden, Kroeker, Buck, Linsmeier, Schroeder, Siegel, Smith

Board members absent:

Staff in charge of topic: M. Brown

Other staff at Board table: Cosper, Proestakes, Richer, Shah, Brickman, Silver, Konetzke

Outside participants: None

Type of Document and Timing Based on the Technical Plan:

The Board met to discuss issues relating to the development of a FASB Accounting Standards Update addressing disclosures by insurance entities about short-duration insurance contracts.

The Board has not yet determined the timing of the release of that Update.

Tentative Board Decisions:

The Board discussed outreach performed to assess potential issues related to reinsurance and continued its discussion of disclosures about short-duration contracts.

Reinsurance

The Board considered the staff's analysis of stakeholder outreach and concluded that there were no reinsurance accounting issues that should be included in the scope of the insurance project.

(Vote: unanimous)

Disclosures about Short-Duration Contracts

Incurred and Paid Claims Development Tables

The Board affirmed its previous decision to require insurance entities that issue short-duration insurance contracts to provide annual disclosures about claims liabilities (specifically, information about claims development, claims frequency, and claims duration) going back to the earliest period for which uncertainty arose about the amount and timing of claims payments, but need not exceed 10 years. The Board clarified that insurance entities would not be precluded from presenting more than 10 years of information about claims liabilities and that for certain aggregated information about claims with very short durations (such as health insurance claims), entities could provide information for fewer than 10 years.

(Vote: unanimous)

The Board decided to also require disclosure of net outstanding claims from years prior to those presented in the claims development tables, aggregated or disaggregated in the same way that insurance entities aggregate or disaggregate disclosures about claims liabilities.

(Vote: unanimous)

Qualitative Information about the Liability for Unpaid Claims and Claim Adjustment Expense

The Board decided to require entities to disclose in annual financial statements information about material changes in judgments made in calculating the liability for unpaid claims and claim adjustment expenses, including the reasons for the changes and the effects on the financial statements.

(Vote: unanimous)

The Board decided not to require entities to disclose qualitative or quantitative information about the reasonable range of expected outcomes of liability estimates derived from the use of multiple actuarial methods and the amount recorded in the statement of financial position.

(Vote: 2 to 5)

History of Claims Duration

The Board affirmed its previous decision to require entities to disclose the average annual percentage payout of claims based on the information in the paid claims development tables.

(Vote: 4 to 3)

Health Insurance Claims

The Board decided that disclosures about health insurance claims should include annual disclosure of incurred and paid claims development tables that are required for all other entities that issue short-duration contracts.

(Vote: 6 to 0 [1 Board member abstained])

The Board decided that reporting entities should provide the same disclosures for all types of short-duration contracts except that disclosures about health insurance claims need not include the history of claims duration.

(Vote: unanimous)

The Board decided not to require entities to disclose days in claims payable for each period presented in the statement of financial position for health insurance claims.

(Vote: unanimous)

The Board also decided not to require entities to disclose the inputs to the calculation of days in claims payable for health insurance claims.

(Vote: 3 to 4)

Next Steps

The Board will continue redeliberating the disclosures about short-duration contracts at a future Board meeting.

General Announcements: None.