

MINUTES



MEMORANDUM

To: Board Members
From: Insurance Team (Kallner x399)
Subject: Minutes of February 24, 2016 Board Meeting on Targeted Improvements to the Accounting for Long-Duration Contracts
Date: March 4, 2016
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—Targeted Improvements to the Accounting for Long-Duration Contracts

Basis for Discussion: FASB Memo 143: Presentation and Disclosures

FASB Memo 144: Cover Memo: Limited Revisions to Memo 143 Questions and Appendix C

Length of Discussion: 9:00 AM to 9:25 AM

Attendance:

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

Board members absent: None

Staff in charge of topic: Casas

Other staff at Board table: Cosper, Proestakes, Casas, Brickman, Kallner, McClaskey

Outside participants: None

Type of Document and Timing Based on the Technical Plan:

The Board met to discuss topics relating to the development of new guidance in a proposed Accounting Standards Update addressing targeted improvements to the accounting for long-duration insurance contracts.

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

Tentative Board Decisions:

Presentation

The Board made two decisions about the presentation of market risk benefits:

1. The carrying amount should be presented as a separate line item in the statement of financial position.
2. The change in fair value—excluding the portion relating to changes in an entity's own credit risk—should be reported as a separate line item in the statement of operations.

(Vote: unanimous)

Disclosures

Liability for Future Policy Benefits

The Board decided that entities should disclose the following about the liability for future policy benefits in both interim and annual financial statements:

1. Disaggregated tabular rollforward of the opening balance to the closing balance, with separate presentation of expected future net premiums and expected future benefits
2. For each disaggregated rollforward:
 - a. The undiscounted ending balance for both the expected future net premiums and the expected future benefits
 - b. The amount of gross premiums recorded
 - c. The amount of any related reinsurance recoverable
 - d. Qualitative and quantitative information (which includes the range, weighted average, and actual experience) about the significant estimates, inputs, judgments, and assumptions used in measuring the liability, including how they changed and the effect of the changes on the measurement of the liability.

3. A reconciliation of the disaggregated rollforwards to the aggregate ending carrying amount of the liability, and the total interest and gross premiums recorded for the period
4. Qualitative and quantitative information about adverse development resulting in the following:
 - a. Net premium ratio exceeding 100 percent
 - b. The establishment of an additional liability for a nontraditional contract
5. For contracts for which the entity did not recognize a liability because no future losses are expected, qualitative and quantitative information (which includes the range, weighted average, and actual experience) about the significant estimates, inputs, judgments, and assumptions used to conclude no losses are expected.

(Vote: unanimous)

Liability for Policyholders' Account Balances

The Board decided that entities should disclose the following information about the liability for policyholders' account balances in both interim and annual financial statements:

1. Disaggregated tabular rollforward of the opening balance to the closing balance
2. For each disaggregated rollforward presented:
 - a. The weighted-average earned rate and the weighted-average crediting rate
 - b. Net amount at risk
 - c. Cash surrender value
3. A reconciliation of the disaggregated rollforwards to the aggregate ending carrying amount of the liability
4. Tabular presentation of policyholders' account balances by range of guaranteed minimum crediting rates, and the related range of the difference between rates being credited to policyholders and the respective guaranteed minimums
5. Qualitative and quantitative information about objectives, policies, and processes for managing risks.

(Vote: unanimous)

Market Risk Benefits

The Board decided that entities should disclose the following information about market risk benefits in both interim and annual financial statements:

1. Disaggregated tabular rollforward of the opening balance to the closing balance, disaggregated by type of market risk benefit
2. For each disaggregated rollforward presented:
 - a. The related net amount at risk
 - b. Fees collected
 - c. Qualitative and quantitative information (which includes the range, weighted average, and actual experience) about the significant estimates, inputs, judgments, and assumptions used in measurement, including how they changed and the effect of the changes on the measurement.
3. A reconciliation of the disaggregated rollforwards to the aggregate ending carrying amount, disaggregated between positions that are in the money and those that are out of the money
4. Qualitative and quantitative information about objectives, policies, and processes for managing risks arising from market risk benefits.

(Vote: unanimous)

Separate Account Liabilities

The Board decided that entities should disclose the following information about separate account liabilities in both interim and annual financial statements:

1. Disaggregated tabular rollforward of the opening balance to the closing balance
2. For each rollforward presented, the related cash surrender values
3. A reconciliation of the rollforwards to the aggregated ending carrying amount of the liability.

(Vote: unanimous)

Deferred Acquisition Costs

The Board decided that entities should disclose a disaggregated tabular rollforward of the opening balance to the closing balance of deferred acquisition costs, together with the inputs and assumptions used to determine amortization, in both interim and annual financial statements.

(Vote: unanimous)

Next Steps

The Board will deliberate transition methods.

General Announcements:

None.