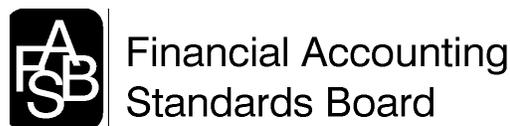


MINUTES



To: Board Members
From: Insurance Contracts Team
(Jourdan, ext. 273)
Subject: Minutes of the January 5, 2010, Joint Board Meeting (video): Insurance Contracts
Date: January 15, 2009
cc: FASB: Bielstein, Golden, Stoklosa, Chookaszian, Posta, Guasp, Sutay, Klimek, Gabriele, McGarity, Proestakes, Cropsey, Trench, Lott, Hood, Brickman, Galloway (GASB), FASB Intranet; IASB: Leisenring, Clark, van der Veen, Hack, Jordan, Teixeira

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 a final Accounting Standards Update.

Topic: Insurance Contracts—Unbundling, Presentation, and Embedded derivatives

Basis for Discussion: Board Memorandums Nos. 32C, 32D, and 32E

Length of Discussion: 8:50 a.m. to 10:45 a.m. (Eastern)

Attendance:

Board members present: FASB: Herz, Seidman, Smith, Siegel, and Linsmeier

IASB: Tweedie, Cooper, Garnett, Gelard Leisenring, Yamada, Kalavacherla, McConnell, Engström, Smith, McGregor, Finnegan, Wei-Guo, Danjou, Gomes

Board member absent: none

Staff in charge of topic: van der Veen

Other staff at Board table: IASB: Clark, Hack

Staff participating by video: Trench, Cropsey, Jourdan, Golden Gagnon, Brickman, Proestakes

Summary of Decisions Reached:

The Boards discussed:

1. Whether to account for insurance, investment, and service components included in an insurance contract as if those components were separate contracts (unbundling)
2. Presentation of the statement of comprehensive income
3. Derivatives embedded within a host insurance contract.

Unbundling

The Boards discussed whether to account for components of an insurance contract as if those components were separate contracts (that is, unbundle those components). The IASB decided tentatively that, for recognition and measurement, an insurer should:

1. Unbundle a component of an insurance contract if it is not interdependent with other components of that contract
2. Not unbundle a component that is interdependent.

The FASB decided tentatively that if unbundling is not required for recognition and measurement, it should not be a permitted option. The FASB asked staff to clarify further how unbundling for recognition and measurement relates to (1) the definition of an insurance contract and the scope of the proposed standard, (2) the presentation models for the performance statement, and (3) bifurcation of embedded derivatives.

Presentation of the Statement of Comprehensive Income

The Boards discussed five models for the presentation of the statement of comprehensive income for insurance contracts and:

1. Tentatively rejected a model that recognizes revenue on the basis of written premiums (rather than recognizing revenue as the insurer performs under the contract)
2. Asked the staff to clarify further the remaining models.

Embedded Derivatives

The Boards discussed two approaches to measuring derivatives embedded in insurance contracts:

1. Measure at fair value (using existing guidance on when to bifurcate)
2. Measure consistently with the measurement used for the host insurance contract.

Views diverged and no clear consensus emerged. The Boards will return to the topic of embedded derivatives at a future meeting.

Next Steps

The Boards will continue their discussion of this project at their joint meeting in January.