



**International  
Accounting Standards  
Board**

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*This document is provided as a convenience to observers at IASB meetings, to assist them in following the Board's discussion. It does not represent an official position of the IASB. Board positions are set out in Standards.*

*These notes are based on the staff papers prepared for the IASB. Paragraph numbers correspond to paragraph numbers used in the IASB papers. However, because these notes are less detailed, some paragraph numbers are not used.*

## **INFORMATION FOR OBSERVERS**

**Board Meeting: February 2006, London**

**Project: Insurance contracts (phase II)**  
**Overview of papers for this meeting (Agenda Paper 10)**

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### **Objective of the discussion at this meeting**

1. At this meeting, the staff will ask the Board to discuss:
  - (a) contractual cash flows that depend on policyholder behaviour.
  - (b) various components of possible accounting models for life insurance contracts, building on the overview given at the December meeting. Because we will ask the Board to discuss further components of these approaches at future meetings, we will not, at this meeting, ask the Board to choose between the two approaches under consideration (current entry value or current exit value).
  - (c) non-life: measurement attribute for claims liabilities. The Board decided tentatively in May 2005 that claims liabilities should be discounted and include a risk adjustment, but the staff did not ask the Board to specify the measurement attribute. At this meeting, the staff will recommend that the Board narrow the range of possible measurement attributes to two (current entry value or current exit value).
  - (d) non-life: approach to pre-claims period. The staff will ask the Board to choose between an unearned premium approach and a prospective approach. In a prospective

approach, a single measurement attribute is used for both the pre-claims liability and the claims liability.

2. The papers for this meeting address the following matters:

- (a) Contractual cash flows that depend on policyholder behaviour:
  - (i) Example (agenda paper 10A)
  - (ii) Discussion (agenda paper 10B)
  - (iii) Implications for other projects (agenda paper 10C)
- (b) Summary of possible accounting approaches for life and non-life insurance contracts (agenda paper 10D) and table summarising those approaches (agenda paper 10E)
- (c) Components of accounting models for life insurance contracts (also relevant to some extent to non-life insurance contracts):
  - (i) Acquisition costs (agenda paper 10F)
  - (ii) Liability adequacy test (agenda paper 10G)
  - (iii) Gain/loss on initial recognition (agenda paper 10H)
- (d) Measurement attribute: non-life insurance pre-claim liability (agenda paper 10I)
- (e) Project planning (agenda paper 10J)

### **Background**

3. Since restarting phase II of this project, as well as various educational sessions, the Board has held three decision-making sessions. These covered:

- (a) the project plan (January 2005).
- (b) non-life insurance contracts (May 2005). The Board decided tentatively to pursue two approaches in parallel for the time being (an unearned premium approach and a prospective approach). At this meeting, we will ask the Board to indicate a preference for one of these approaches.

- (c) life insurance contracts (December 2005). The Board decided to focus on current value approaches. At this meeting, we will ask the Board to review in more detail some components of the two current value approaches (current entry value and current exit value). We will ask the Board to discuss other components of the approaches over the next two to three meetings.
4. If Board Members need more background, they may find the following material useful, although we will not refer to it at this meeting:
- (a) Illustrations of possible accounting approaches for life insurance contracts (December 2005, agenda paper 9C) and explanations of those illustrations (agenda paper 9D).
  - (b) Illustrations of possible accounting approaches for non-life insurance contracts (May 2005, agenda paper 4E) and explanations of those illustrations (agenda paper 4D).
  - (c) Summary of Phase II principles suggested in July 2005 by insurers (December 2005, agenda paper 9F)