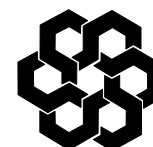


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**International
Accounting Standards
Board**

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

Note: These notes are based on the staff paper prepared for the Insurance Working Group Meeting. Paragraph numbers correspond to paragraph numbers used in the Insurance Working group paper. However, because these notes are less detailed, some paragraph numbers are not used.

INFORMATION FOR OBSERVERS

IASB Meeting: Insurance Working Group, April 2008
Paper: Risk margins – overview (Agenda paper 7)

Purpose of this paper

1. This paper gives an overview of the papers that deal with the issue of risk margins and day one profit. The papers address the following topics:
 - (a) risk margins - interaction between balance sheet and performance statement (Agenda paper 7A)
 - (b) illustrations of interaction between balance sheet and performance statement for a non-life contract (Agenda paper 7B)
 - (c) risk margins - cost or required compensation (Agenda paper 7C)
 - (d) day one profit (Agenda paper 7D)
 - (e) service margins (Agenda paper 7E)
2. This series of papers does not address the guidance that should be given on margins; we have not yet analysed this subject in detail and will give more thought on it in due course. Several respondents suggested that bodies such as the International Actuarial Association

(IAA) could provide more detailed guidance to support high level principles in the IFRS. Examples of documentation for further thoughts on this subject are:

- (a) An exposure draft *Measurement of Liabilities for Insurance Contracts: Current Estimates and Risk Margins*, published by the Risk Margins Working Group of the IAA in February 2007. That group expects to publish an updated version shortly.
 - (b) The Society of Actuaries' Research Project on *Financial Reporting for Insurance Contracts under Possible Future International Accounting Standards*, prepared by PricewaterhouseCoopers, published January 29th, 2008.
 - (c) Ernst & Young's Report on *Market Value Margins for Insurance Liabilities in Financial Reporting and Solvency Applications*, commissioned by the Group of North American Insurance Enterprises (GNAIE), published November 6th, 2007.
 - (d) *Market-consistent Valuations of Life Insurance Business: the UK experience*, a report by Chris O'Brien for the Society of Actuaries in July 2007.
3. We are not intending to be exhaustive with the examples mentioned in the previous paragraph. We ask participants to inform us of other useful documentation on this matter.