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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, November 2008  
**Paper:** Project planning (Agenda paper 2)

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### **Purpose of this paper**

1. This paper includes a timetable for the proceeding of the project and the planned Board's discussion on insurance contracts.

### **Next steps**

2. In October 2008, we present a list of measurement attribute candidates to the Board and discuss what the main features of those measurement attributes are as part of an Education Session. At a subsequent meeting (planned for the December Board meeting), we will ask the Board to reach a conclusion on the measurement attribute and the main features of the selected measurement attribute.
3. In November 2008, staff intends to start discussing policyholder behaviour and policyholder participation, with at the centre of the debate the question whether an insurer should account for individual rights and obligations under the contract or account for the whole contract (unit of account).
4. Other issues on the building blocks should be discussed in the January 2009 Board meeting. These should include discount rates and a further analysis of related and relevant

projects like for example IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

5. The time table for the insurance project is included as an attachment to this paper.

## **Appendix**

### **Timetable for Board discussions and Working group meetings**

<p><b>Educational Session on the key features Measurement attribute</b></p> <ul style="list-style-type: none"> <li>• Staff will present the main features of a measurement attribute to the Board; no decisions are expected from the board at this stage. The features include: <ul style="list-style-type: none"> <li>• Basis of the measurement attribute, e.g.: <ul style="list-style-type: none"> <li>○ Current Exit Value as per DP<sup>1</sup></li> <li>○ Current Exit Value with some modifications</li> <li>○ A Fulfilment based attribute</li> </ul> </li> <li>• Risk Margins and Day one profit <ul style="list-style-type: none"> <li>○ What will be the objective for the risk margin?</li> <li>○ Should there be a service margin? If so, what is its objective?</li> <li>○ If day 1 profits occur, how should they be treated?</li> <li>○ How should the margin be released to the performance statement?</li> </ul> </li> <li>• Basis for estimates: <ul style="list-style-type: none"> <li>○ Should liability measurement include (a) entity-specific estimates (b) market-participant estimates?</li> <li>○ What does the resulting liability measurement represent and how does it affect reported performance?</li> </ul> </li> <li>• What attribute should be used for: <ul style="list-style-type: none"> <li>○ non-life insurance pre-claims liabilities?</li> <li>○ non-life claims liabilities?</li> <li>○ other insurance liabilities?</li> <li>○ reinsurance liabilities and reinsurance assets ?</li> <li>○ insurance assets of policyholders?</li> </ul> </li> <li>• Should the credit characteristics of insurance liabilities affect their measurement?</li> <li>• For reinsurance assets, should an expected loss or an incurred loss model be used?</li> </ul> <p>What might be the implications for measurement of assets backing the insurance liabilities?</p> </li></ul>	<p>October 2008</p>
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<sup>1</sup> The Board has not decided yet whether the current exit value notion described in the DP Insurance and fair value are the same.

<p><b>Future premiums and policyholder behaviour</b></p> <ul style="list-style-type: none"> <li>• If the unit of recognition is individual rights and obligations: is the guaranteed insurability test appropriate?</li> <li>• If the unit of recognition is the whole contract: where is the boundary between existing contracts and new contracts?</li> </ul> <p>Other relevant projects: revenue recognition, financial instruments, leases, concepts (elements, recognition)</p>	November 2008
<p><b>Policyholder participation - classification</b></p> <ul style="list-style-type: none"> <li>• If the unit of recognition is individual rights and obligations: when should participation features be classified as equity and when should they be classified as liabilities? How should participation features be reported in the statements of financial position, financial performance and cash flows?</li> <li>• Are there any specific issues for mutuals?</li> </ul> <p>Other relevant projects: concepts (elements, recognition), liabilities and equity</p>	November 2008
<p><b>Meeting of Insurance Working Group</b></p> <p>(input on proposed measurement attributes discussed at October Educational Board Session)</p>	November 2008
<p><b>Main features of the Measurement attribute</b></p> <p>The Board will discuss and reach a conclusion on the main features of the measurement attribute based on the October Educational Board Session.</p>	December 2008
<p><b>Other issues on the building blocks</b></p> <ul style="list-style-type: none"> <li>• Is more guidance needed on discount rates? (may need to be addressed earlier on)</li> <li>• Guarantee fund assessments</li> <li>• Tax issues</li> <li>• Salvage and subrogation</li> </ul> <p>Other relevant projects: non-financial liabilities (IAS 37), income taxes, fair value measurements</p>	January 2009

<p><b>Inconsistencies with IAS 39 and IAS 18</b></p> <ul style="list-style-type: none"> <li>○ For some or all financial liabilities and investment management contracts, should the Board eliminate some or all inconsistencies between the insurance contracts model and the models in IAS 39 and IAS 18?</li> <li>○ Should any changes be made to the measurement attribute of assets held to back insurance contracts? (see separate discussion for participating, unit-linked and index-linked contracts).</li> </ul> <p>Other relevant projects: revenue recognition, financial instruments</p>	February 2009
<p><b>Policyholder accounting – initial review</b></p> <ul style="list-style-type: none"> <li>● Initial review of whether the same measurement attribute is appropriate for policyholders as insurers.</li> <li>● If the same measurement attribute is appropriate, consider whether practical shortcuts are needed.</li> </ul> <p>Other relevant projects: concepts (measurement, unit of account), fair value measurements, non-financial liabilities (IAS 37)</p>	February 2009
<p><b>Policyholder participation - measurement</b></p> <ul style="list-style-type: none"> <li>● Consider specific measurement issues for participation features.</li> <li>● Do we need to amend the IFRS 4 definition of a discretionary participation feature (DPF)?</li> <li>● Should investment contracts with a DPF be in the scope of the insurance standard or IAS 39?</li> <li>● Are there any specific issues for mutuals?</li> </ul> <p>Other relevant projects: concepts (measurement), fair value measurements, financial instruments, liabilities and equity</p>	March 2009
<p><b>Participating, unit-linked and index-linked insurance contracts and investment contracts and universal life contracts</b></p> <ul style="list-style-type: none"> <li>○ Should accounting mismatches be eliminated? If so, how?</li> <li>○ If assets are held in separate funds, are they part of the reporting entity?</li> <li>○ If policyholders bear part or all of the investment risk, how should this affect presentation and disclosure?</li> </ul> <p>Other relevant projects: concepts (unit of account), financial instruments, consolidation, concepts (reporting entity)</p>	March 2009

<p><b>Recognition and derecognition</b></p> <ul style="list-style-type: none"> <li>○ When should an insurer recognise an insurance liability?</li> <li>○ When should a cedant recognise reinsurance assets, especially if the underlying direct contracts have a different coverage period?</li> <li>○ When should an insurer derecognise insurance liabilities and reinsurance assets?</li> </ul> <p>Other relevant projects: concepts (recognition and derecognition), derecognition, revenue recognition</p>	April 2009
<p><b>Definition and scope</b></p> <ul style="list-style-type: none"> <li>● Should the IFRS 4 definition of an insurance contract change?</li> <li>● Financial guarantee contracts</li> <li>● Should existing scope exclusions continue? Should new scope exclusions be added?</li> <li>● Catastrophe bonds and alternative risk transfer</li> </ul> <p>Other relevant projects: financial instruments, revenue recognition, pensions</p>	April 2009
<p><b>Disclosure</b></p> <ul style="list-style-type: none"> <li>● What disclosures should be required?</li> </ul> <p>Other relevant projects: presentation of financial statements</p>	May 2009
<p><b>Minor issues</b></p> <ul style="list-style-type: none"> <li>● Insurance contracts acquired in business combinations and portfolio transfers</li> <li>● Should some income taxes be reported as taxes on policyholders, rather than as taxes on the insurer?</li> <li>● Interim reporting</li> <li>● Transition, including transition for assets backing insurance contracts.</li> <li>● Consequential amendments</li> </ul> <p>Other relevant projects: presentation of financial statements</p>	May 2009
<p><b>Policyholder accounting – follow up</b></p> <ul style="list-style-type: none"> <li>● Review initial conclusions on policyholder accounting</li> </ul> <p>Other relevant projects: non-financial liabilities (IAS 37)</p>	May 2009
<p><b>Pre balloting</b></p>	July/August 2009

<b>Sweep issues</b>	September 2009
<b>Publication of Exposure Draft</b>	October 2009
<b>Comments due</b>	February 2010
<b>Summary of comments</b>	April 2010
<b>Discussion of Issues from comment letters</b> <ul style="list-style-type: none"> <li>• The issues, both the content and the total number, can not be estimated at this stage</li> <li>• But we probably need to bring something to the Board every 1-2 months</li> </ul>	May 2010 – January 2011
<b>Pre balloting</b>	February/March 2011
<b>Sweep</b>	April 2011
<b>Publication of final standard</b>	May 2011