IFRS

FASB

IASB/FASB Meeting
27 April 2011

IASB Agenda reference	**1 - errata**
FASB Agenda reference	**65 - errata**

Staff Paper

Project	**Insurance Contracts**
Topic	**Short Duration Contracts: Modified Approach**

The following changes were made to Agenda Paper 1 to address errors that occurred during final editing:

Paragraph 6

<u>Original</u>

6.

(a) An insurer is permitted, but not required to apply the modified approach to contracts that meet all of the following requirements:

(i) The contract does not include a significant financing element.

(ii) The contract does not contain embedded options or other derivatives that significantly affect the variability of the cash flows, after unbundling any embedded derivatives.

(b) A contract does not include a significant financing element if the following criteria are met:

(i) The time between the receipt of premium and the provision of coverage is insignificant,

(ii) The amount of premium charged is not substantially different if the policyholder paid at the beginning of the coverage period,

(iii) The coverage period is one year or less.

<u>Revised</u>

6.

(a) An insurer is permitted, but not required to apply the modified approach to contracts that meet all of the following requirements:

  (i) The contract does not include a significant financing element.

  (ii) The contract does not contain embedded options or other derivatives that significantly affect the variability of the cash flows, after unbundling any embedded derivatives.

(b) A contract does not include a significant financing element if the following criteria are met:

  (i) The time between the receipt of premium and the provision of coverage is insignificant,

  (ii) The amount of premium charged is not substantially different if the policyholder paid at the beginning of the coverage period,

(c) <u>As a practical expedient, a contract is not considered to include a significant financing element if</u> the coverage period is one year or less.

Paragraph 66

<u>Original</u>

66. The modified approach can be applied to insurance contracts that meet all of the following criteria:

(a) The contract does not include a significant financing element.

(b) The contract does not contain embedded options or other derivatives that significantly affect the variability of the cash flows, after unbundling any embedded derivatives.

(c) A contract does not include a significant financing element if the following criteria are met:

  (i) The time between the receipt of premium and the provision of coverage is insignificant,

(ii) The amount of premium charged is not substantially different if the policyholder paid at the beginning of the coverage period,

(iii) The coverage period is one year or less.

Revised

66. The modified approach can be applied to insurance contracts that meet all of the following criteria:

(a) The contract does not include a significant financing element.

(b) The contract does not contain embedded options or other derivatives that significantly affect the variability of the cash flows, after unbundling any embedded derivatives.

(c) A contract does not include a significant financing element if the following criteria are met:

(i) The time between the receipt of premium and the provision of coverage is insignificant,

(ii) The amount of premium charged is not substantially different if the policyholder paid at the beginning of the coverage period,

(d) As a practical expedient, a contract is not considered to include a significant financing element if the coverage period is one year or less.