FASB Agenda ref 82E

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FASB | IASB Meeting Project **Insurance Contracts** Paper topic Examples to illustrate the use of other comprehensive income (OCI) for presenting specified changes in the insurance liability CONTACT(S) Jennifer Weiner jmweiner@fasb.org +1 203 956 5305 Akwasi Ampofo aaampofo@fasb.org +1 203 956 3421 Joanna Yeoh jyeoh@ifrs.org +44 20 7246 6481 Rachel Knubley rknubley@ifrs.org +44 20 7246 6904

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What is this paper about?

 The examples in this paper complement the analysis in Agenda Paper 2B/82B, which asks the boards to consider the use of OCI to record changes in the insurance contract liability arising from changes in the discount rate.

Staff analysis

Example 1: 3 year policy with claim payments made over 15 years

- 2. The staff built an example to include a hypothetical asset portfolio to consider presenting the effects on the insurance liability of a change in the discount rate in OCI together with changes in assets that may be presented in OCI as well.
- 3. The analysis shown in this paper considers a hypothetical investment of an insurance premium in a portfolio of fixed income and equity securities. The periodic claim payments that arise as a result of the insurance coverage are funded by bond maturities, cash returns of the investments (for example, dividends and

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interest), and if necessary, proceeds from sales of the investments. The analysis has the following assumptions:

- (a) The premium received at the beginning of the contract is \$10M; the present value of the expected cash flows at that time is \$7.7M; and, the resulting single/residual margin is \$2.3M (assume there is no risk adjustment under IASB model in this example).
- (b) The insured period is 3 years, with claim liabilities paid over 15 years in varying amounts.
- (c) The single/residual margin is recognised straight-line over the payout period for simplicity.
- (d) There is no change in the expected cash flows other than those resulting from a change in the discount rate. The expected and actual cash outflows are as follows:

Year	Cash Outflow
1	1,500,000
2	2,500,000
3	1,500,000
4	1,500,000
5	500,000
6	500,000
7	300,000
8	200,000
9	500,000
10	100,000
11	100,000
12	100,000
13	200,000
14	200,000
15	300,000

- (e) 90 per cent of the \$10M premium is immediately invested in AA-rated corporate bonds with varying maturities between 1 and 15 years
 (purchased at par) to match the maturity of the bonds to the expected payout of the liability.
- (f) 10 per cent of the \$10M premium is immediately invested in the S&P 500 index.

- (g) No other assets exist to pay the claim liabilities.
- (h) Claims that arise during a period are paid at the end of that period based on the availability of the following resources in order: 1) bond maturities (or sales if the fair value exceeds principal maturing in that period), 2) cash received from dividends or interest during the period, and 3) sales of equity securities (if available).
- Excess cash during a period that remains after fulfilling the entire liability for the period is not reinvested.
- (j) Taxes are not considered in the analysis.
- (k) The income statements for each of the scenarios included in the examples are simplified and therefore do not contemplate the full presentation of the income statement (that is, premiums and other expenses are not presented).
- 4. The evolution of prices for the equity securities is based on year-end prices of the S&P 500 index from 1996 through 2010. The evolution of prices for the hypothetical bond portfolio is based on the price returns of AA-rated corporate bond indices from 1996 through 2010. As held fixed income securities age in the analysis, price movements are developed based on the index that is relevant to the remaining maturity. Matching price returns of the hypothetical portfolio of fixed income securities to different AA-rated bond portfolios based on the remaining maturities of the bonds in the hypothetical portfolio allows the analysis to estimate the price of a the bonds within the portfolio through its entire life.
- 5. The following graph shows the fair value of the bond portfolio compared with the current value of the insurance liabilities that result from an initial investment in a hypothetical portfolio of fixed income securities with maturities that are matched to the expected payments on the insurance liabilities.



- 6. Fixed income securities that mature in a given period are assumed to be sold if the year-end fair value exceeds the principal amount to be collected upon maturity. Otherwise, par is assumed to be collected on the maturing securities. (Because the fair value at maturity approximates the par value, any resulting gains and losses from sales of the securities are insignificant to the analysis.)
- 7. The examples included in this Appendix are presented under four different scenarios, which are summarized as follows:

	Ass	ets	Liabilities
	Bonds	Equities	Change in discount rate
Scenario 1	FV-OCI	FV-TPL	PL
Scenario 2	FV-OCI	FV-TPL	OCI
Scenario 3	FV-OCI	FV-OCI	OCI
Scenario 4	FV-TPL	FV-TPL	PL

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8. Under all four scenarios, balance sheet totals (that is, total assets, total liabilities, and total stockholders' equity) are the same. The primary difference is within stockholders' equity. AOCI and retained earnings are different in each of the scenarios, but together, result in the same total stockholders' equity.

Unrealised gains and losses

9. The following chart shows the unrealized gains and losses on the hypothetical bond portfolio that would be presented in OCI compared to the unrealized gains and losses on the insurance liabilities that would be presented either in OCI or in net income, depending on the Scenario. For illustration purposes only, the staff assumed a yield curve for the discount rate for the period.

	Net Unreali	zed Gains (Losses)
		Effect of Discount
		Rate Change on
Year	Bonds	Liability
1	\$ 9,990	\$ (9,990)
2	56,953	(56,951)
3	81,214	(81,213)
4	(237,677)	237,682
5	44,165	(44,158)
6	67,941	(67,941)
7	84,800	(99,451)
8	(28,692)	3,370
9	(52,520)	49,064
10	(24,740)	36,696
11	11,545	18,971
12	11,987	(11,028)
13	(27,355)	27,355
14	7,811	(7,826)
15	(5,422)	5,421

10. The staff primarily focused on the scenarios in which bonds are recorded at FV-OCI and equities are recorded at FV-TPL but for completeness the staff also have also illustrated presentation of the unrealized gains and losses on the equity securities in OCI instead of net income. As such, the chart below shows the unrealized gains and losses on the equity securities are as follows:

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Net Unrea	lized	Gains (Losses)
Year		Equities
1	\$	202,567
2		372,787
3		420,032
4		389,552
5		(241,778)
6		(279,464)
7		(435,402)
8		376,682
9		162,316
10		59,029
11		275,926
12		81,247
13		(917,174)
14		343,833
15		231,342

Net income under the four scenarios

11. The following graph summarizes the effect on net income of each of the four scenarios:



- 12. In the graph above, it appears that Scenario 1 (including the movement in the liability as a result of a change in the discount rate in net income) and Scenario 2 (including the movement in the liability as a result of a change in the discount rate in other comprehensive income) would produce the same effect on net income.
- 13. However, the staff notes that Scenario 1 and Scenario 2 only appear to produce the same effect on net income because the unwind of the discount rate in interest expense almost perfectly offsets the interest income in net income. This is illustrated in the graph below:



14. The graph below shows in more detail the effect that the change in the discount rate would have on the insurance liability, and the movement in the value of the bonds and equity securities. The graph below illustrates a reason for recording both the change in the insurance liability and the change in the value of the bonds in the same manner (i.e., recording both changes in other comprehensive income or both changes in net income), as the change in the insurance liability would offset the change in the value of the bonds.



- 15. As a reminder, for illustrative purposes only, the staff assumed a yield curve for the discount rate that almost perfectly aligns with the change in the value of the bond portfolio. Scenario 2 and Scenario 4 (their lines are almost exactly the same) both eliminate the accounting mismatch in this hypothetical example because the unrealized gains and losses for the bonds and the effect of the change in the discount rate of the liability are both reflected either in net income or in OCI. To the extent that economic mismatches exist (duration, rate, or otherwise), those effects would be highlighted regardless of whether the changes are reported in OCI or net income. The purpose of the illustration is to show how recording the movement in the discount rate and the movement in the bonds in the same place helps reduce the accounting mismatch.
- 16. Scenario 1 in the graph uses the same assumptions for assets as Scenario 2 (that is, bonds: FV-OCI and equities: FV-NI), but the effects on insurance liabilities resulting from changes in the discount rate are reflected in net income instead of in OCI. If bonds are measured at fair value with changes through OCI and equities are measured at fair value with changes through NI, there may be significant changes in net income from one period to the next regardless of whether the

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effects on insurance liabilities of changes in the discount rate is presented in OCI or net income.

17. The following graph shows the effect on net income of the insurance liabilities only:



18. For reference, the detailed information for the above charts and graphs is included in the remaining pages of this paper for each of the four scenarios.

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Scenario	1 - Bonds: FV-	OCI; Equities: FV-NI;	Change in liability	discount rate: NI
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Income Statement		1	2	-	3	4	5	6	7	8	9	10	11	12	13	14	15
Single margin	\$	156,010	\$ 156,01) \$	156,010	\$ 156,010	\$ 156,010	\$ 156,010	\$ 156,010	\$ 156,010	\$ 156,010	\$ 156,010	\$ 156,010	\$ 156,010	\$ 156,010	\$ 156,010	\$ 156,010
Interest expense		(527,774)	(458, 19	1)	(304,272)	(204, 483)	(168, 327)	(136,720)	(98, 295)	(63, 562)	(51,921)	(38, 190)	(41,027)	(41,242)	(30,782)	(32,440)	(13,917)
Change in discount rate		(9,990)	(59,54	3)	(97,223)	203, 167	(27,944)	(59, 363)	(103,677)	(21,983)	19,724	22,478	10,867	(15,411)	16,259	(6,370)	-
Interest income		508,365	454,36	5	353,115	285,615	204,615	173,115	140,490	120,645	107,145	72,945	65,970	58,815	51,615	37,035	22,275
Dividend income		24,166	25,18	9	26,293	27,120	26,406	25,546	26,098	29,019	31,498	36,323	40,656	45,006	45,525	36,209	37,524
Realized gain (loss) - bonds		1,709	4,79	2	25,796			5,420	7,370	12,525	-		-	2,323	18,852	15,876	4,552
Unrealized gain (loss) - equities		202,567	372,78	7	420,032	389,552	(241,778)	(279, 464)	(435, 402)	376,682	162,316	59,029	275,926	81,247	(917, 174)	343,833	231,342
Realized gain (loss) - equities		-		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income	\$	355,053	\$ 495,40	5 \$	579,752	\$ 856,982	\$ (51,017)	\$ (115,457)	\$ (307,406)	\$ 609,337	\$ 424,772	\$ 308,594	\$ 508,403	\$ 286,749	\$ (659,694)	\$ 550,154	\$ 437,786
OCI		1	2		3	4	5	6	7	8	9	10	11	12	13	14	15
Assets																	
Bonds		9,990	59,80	1	84,089	(214,221)	37,795	56,247	83,872	(15,150)	(38,891)	(24,610)	3,782	12,474	(5,887)	13,842	-
Recycle - bonds		-	(2,84)	(2,875)	(23, 456)	6,370	11,694	928	(13,542)	(13,629)	(130)	7,763	(487)	(21,467)	(6,032)	(5,422)
Total OCI	\$	9,990	\$ 56,95	3 5	81,214	\$ (237,677)	\$ 44,165	\$ 67,941	\$ 84,800	\$ (28,692)	\$ (52,520)	\$ (24,740)	\$ 11,545	\$ 11,987	\$ (27,355)	\$ 7,811	\$ (5,422)
				_	-					-				10	40		45
Changes in Equity	-	1	2		3	4	5	6	1	8	9	10	11	12	13	14	15
Beginning equity	3	-	\$ 305,04	3	917,402	\$ 1,578,308	\$ 2,191,013	\$ 2,190,821	\$ 2,143,305	\$ 1,920,700	\$ 2,301,344	\$ 2,873,590	\$ 3,15/,450	\$ 3,017,398	\$ 3,970,734	5 3,289,085	\$ 3,647,000
INET Income		300,003	495,40	2	5/9,/52	800,982	(51,017)	(115,457)	(307,400)	009,337	424,112	308,594	508,403	280,749	(059,094)	550,154	437,780
Ending equity	-	9,990	00,90		01,214	(237,077)	44,100	07,941	04,000	(20,092)	(32,320)	(24,140)	11,040	11,907	(27,300)	7,011	(J,422) S 4 270 444
Ending equity	3	303,044	5 917,40		1,5/6,306	\$ 2,191,013	\$ 2,190,621	\$ 2,143,300	\$ 1,920,700	\$ 2,001,344	\$ 2,873,390	\$ 3,157,450	\$ 3,077,398	\$ 3,970,134	\$ 3,269,065	\$ 3,847,000	5 4,219,414
Balance Sheet		1	2	-	3	4	5	6	7	8	9	10	11	12	13	14	15
Assets	-																
Cash	s	384,586	\$ 618.93	2 5	874,136	\$ 1.036.871	\$ 1.217.892	\$ 1.371.973	\$ 1,515,931	\$ 1.658.121	\$ 1,746,763	\$ 1.846.031	\$ 1,942,657	\$ 2.038.801	\$ 2,134,793	\$ 2,203,913	\$ 2,238,264
Investment in bonds	7	,659,990	5,466,94	3 .	4,198,157	2,610,480	2.204.645	1.822.586	1,637,386	1,428,694	926,174	811,434	732,979	654,966	447,611	275,422	-
Investment in equities	1	,202,221	1,575,00	3	1,995,040	2,384,593	2,142,814	1,863,350	1,427,948	1,804,630	1,966,946	2.025.975	2,301,901	2,383,148	1,465,975	1,809,807	2,041,150
Total assets	\$ 9	,246,798	\$ 7,660,88	3 5	7,067,333	\$ 6,031,944	\$ 5,565,352	\$ 5,057,909	\$ 4,581,265	\$ 4,891,444	\$ 4,639,883	\$ 4,683,439	\$ 4,977,537	\$ 5,076,915	\$ 4,048,379	\$ 4,289,143	\$ 4,279,414
Liabilities														and the second second			
Insurance ECFs	56	6,697,610	\$ 4,715,34	3 5 :	3,616,842	\$ 2,118,158	\$ 1,814,428	\$ 1,510,511	\$ 1,412,484	\$ 1,298,029	\$ 830,226	\$ 745,938	\$ 676,098	\$ 632,750	\$ 447,273	\$ 286,083	s -
CM remaining	2	2,184,143	2,028,13	3	1,872,123	1,716,113	1,560,102	1,404,092	1,248,082	1,092,072	936,061	780,051	624,041	468,031	312,020	156,010	-
Total liabilities	\$ 8	8,881,754	\$ 6,743,48	S	5,488,965	\$ 3,834,271	\$ 3,374,531	\$ 2,914,604	\$ 2,660,566	\$ 2,390,100	\$ 1,766,287	\$ 1,525,990	\$ 1,300,139	\$ 1,100,781	\$ 759,294	\$ 442,093	s -
Stockholders' equity																	
AOCI	s	9,990	\$ 66,94	3 \$	148,157	\$ (89,520)	\$ (45,355)	\$ 22,586	\$ 107,386	\$ 78,694	\$ 26,174	\$ 1,434	\$ 12,979	\$ 24,966	\$ (2,389)	\$ 5,422	\$ 0
Retained earnings		355,053	850,45)	1,430,211	2,287,193	2,236,176	2,120,719	1,813,313	2,422,650	2,847,422	3,156,016	3,664,419	3,951,168	3,291,474	3,841,628	4,279,414
Total SE	\$	365,044	\$ 917,40	2 \$	1,578,368	\$ 2,197,673	\$ 2,190,821	\$ 2,143,305	\$ 1,920,700	\$ 2,501,344	\$ 2,873,596	\$ 3,157,450	\$ 3,677,398	\$ 3,976,134	\$ 3,289,085	\$ 3,847,050	\$ 4,279,414
Total Liabilities and SE	\$ 9	,246,798	\$ 7,660,88	3 \$ 1	7,067,333	\$ 6,031,944	\$ 5,565,352	\$ 5,057,909	\$ 4,581,265	\$ 4,891,444	\$ 4,639,883	\$ 4,683,439	\$ 4,977,537	\$ 5,076,915	\$ 4,048,379	\$ 4,289,143	\$ 4,279,414

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Scenario 2 - Bonds: FV-OCI; E	quit	ies: FV-NI;	Chang	e in lial	bility d	liscount	rate: OCI																	
Income Statement	1	1		2		3	4	5		6	7		8		9	10		11		12		3	14	15
Single margin	S	156,010	\$ 1	56,010	\$ 1	56,010	\$ 156,010	\$ 156,010	S	156,010	\$ 156,010	\$	156,010	S	156,010	\$ 156,	010	\$ 156,010	S	156,010	\$ 1	56,010	\$ 156,010	\$ 156,010
Interest expense		(527,774)	(4	58, 194)	(3	04,272)	(204, 483)	(168, 327,)	(136,720)	(98, 295)		(63, 562)		(51,921)	(38,	190)	(41,027)		(41,242)	(30,782)	(32, 440)	(13,917)
Recycle - liabilities				(2,592)	(16,010)	(34, 514)	16,214		8,578	(4,226)		(25, 353)		(29, 339)	(14,	219)	(8, 103)		(4,383)	(11,096)	1,456	(5,421)
Interest income		508,365	4	54,365	3	53,115	285,615	204,615		173,115	140,490		120,645		107,145	72,	945	65,970		58,815		51,615	37,035	22,275
Dividend income		24,166		25,189		26,293	27,120	26,406		25,546	26,098		29,019		31,498	36,	323	40,656		45,006		45,525	36,209	37,524
Realized gain (loss) - bonds		1,709		4,792		25,796	-	-		5,420	7,370		12,525		-		-	-		2,323		18,852	15,876	4,552
Unrealized gain (loss) - equities		202,567	3	72,787	4	20,032	389,552	(241,778))	(279, 464)	(435, 402)		376,682		162,316	59,	029	275,926		81,247	(9	17,174)	343,833	231,342
Realized gain (loss) - equities		-		-		-	-	-			-		-		-		-	-				-	-	-
Net income	\$	365,044	\$ 5	52,356	\$ 6	60,965	\$ 619,301	\$ (6,859)) \$	(47,516)	\$ (207,955)	\$	605,967	\$	375,708	\$ 271,	898	\$ 489,433	S	297,777	\$ (6	87,049)	\$ 557,980	\$ 432,365
OCI		1		2		3	4	5		6	7		8		9	10		11		12	1	3	14	15
Liabilities																								
Change in discount rate	\$	(9,990)	\$ (59,543)	\$ (97,223)	\$ 203,167	\$ (27,944)	15	(59, 363)	\$ (103,677)	\$	(21,983)	S	19,724	\$ 22,	478	\$ 10,867	S	(15,411)	\$	16,259	\$ (6,370)	s -
Recycle		-		2,592		16,010	34,514	(16,214))	(8,578)	4,226		25,353		29,339	14,	219	8,103		4,383		11,096	(1,456)	5,421
Assets																								
Bonds		9,990		59,801	3	84,089	(214,221)	37,795		56,247	83,872		(15, 150)		(38,891)	(24,	510)	3,782		12,474		(5,887)	13,842	-
Recycle - bonds	_			(2,849)		(2,875)	(23, 456)	6,370		11,694	928		(13,542)	2	(13,629)	(130)	7,763		(487)	(21,467)	(6,032)	(5,422)
Total OCI	\$	0	\$	2	\$	1	\$ 4	\$ 7	\$	1	\$ (14,651)	\$	(25,323)	\$	(3,456)	\$ 11,	956	\$ 30,516	\$	959	\$	1	\$ (15)	\$ (1)
Changes in Equity	-	1		2		3	4	5		6	7		8	_	9	10		11		12		3	14	15
Beginning equity	\$	-	\$ 3	65,044	\$ 9	17,402	\$ 1,578,368	\$ 2,197,673	\$:	2,190,821	\$ 2,143,305	\$ 1	,920,700	\$	2,501,344	\$ 2,873,	596	\$ 3,157,450	\$	3,677,398	\$ 3,9	76,134	\$ 3,289,085	\$ 3,847,050
Net income		365,044	5	52,356	6	60,965	619,301	(6,859))	(47,516)	(207,955)		605,967		375,708	271,	898	489,433		297,777	(6	87,049)	557,980	432,365
OCI		0		2		1	4	7		1	(14,651)		(25, 323)	1	(3,456)	11,	956	30,516		959		1	(15)	(1)
Ending equity	\$	365,044	\$ 9	17,402	\$ 1,5	78,368	\$ 2,197,673	\$ 2,190,821	\$:	2,143,305	\$ 1,920,700	\$ 2	,501,344	\$	2,873,596	\$ 3,157,	450	\$ 3,677,398	\$	3,976,134	\$ 3,2	89,085	\$ 3,847,050	\$ 4,279,414
Balance Sheet		1		2		3	4	5		6	7		8	_	9	10		11		12	1	3	14	15
Assets																								
Cash	S	384,586	\$ 6	18,932	\$ 8	74,136	\$ 1,036,871	\$ 1,217,892	S	1,371,973	\$ 1,515,931	\$ 1	.658,121	S	1,746,763	\$ 1,846.	031	\$ 1,942,657	S	2,038,801	\$ 2.1	34,793	\$ 2,203,913	\$ 2,238,264
Investment in bonds		7,659,990	5,4	66,943	4,1	98,157	2,610,480	2,204,645		1,822,586	1,637,386	1	428,694		926,174	811.	134	732,979		654,966	4	47,611	275,422	-
Investment in equities		1,202,221	1,5	75,008	1,9	95,040	2,384,593	2,142,814		1,863,350	1,427,948	1	,804,630		1,966,946	2,025,	975	2,301,901		2,383,148	1,4	65,975	1,809,807	2,041,150
	-	0.046 700	6 76	60.883	\$ 70	67.333	\$ 6 031 944	\$ 5,565,352	\$.	5,057,909	\$ 4,581,265	\$ 4	,891,444	\$	4,639,883	\$ 4,683,	139	\$ 4,977,537	\$	5,076,915	\$ 4.0	48,379	\$ 4,289,143	\$ 4,279,414
Total assets	5	9,240,798	\$ 1,0	00,000	\$ 1,0		• •,•••			and the second se	and the second													
Total assets Liabilities	5	9,240,798	\$ 7,0	00,000	\$ 7,0		• •,•••																	
Total assets Liabilities Insurance ECFs	5	6,697,610	\$ 4,7	15,348	\$ 3,6	16,842	\$ 2,118,158	\$ 1,814,428	s	1,510,511	\$ 1,412,484	\$ 1	,298,029	s	830,226	\$ 745,	938	\$ 676,098	s	632,750	s 4	47,273	\$ 286,083	s -
Total assets Liabilities Insurance ECFs CM remaining	5	6,697,610 2,184,143	\$ 4,7	15,348 28,133	\$ 3,6	16,842 72,123	\$ 2,118,158 1,716,113	\$ 1,814,428 1,560,102	s	1,510,511	\$ 1,412,484 1,248,082	S 1	,298,029	s	830,226 936,061	\$ 745, 780,	938	\$ 676,098 624,041	\$	632,750 468,031	\$ 4 3	47,273 12,020	\$ 286,083 156,010	s - -
Total assets Liabilities Insurance ECFs CM remaining Total liabilities	s s s	6,697,610 2,184,143 8,881,754	\$ 4,7 2,0 \$ 6,7	15,348 28,133 43,481	\$ 3,6 1,8 \$ 5,4	16,842 72,123 88,965	\$ 2,118,158 1,716,113 \$ 3,834,271	\$ 1,814,428 1,560,102 \$ 3,374,531	s	1,510,511 1,404,092 2,914,604	\$ 1,412,484 1,248,082 \$ 2,660,566	S 1 1 5 2	,298,029 ,092,072 ,390,100	s	830,226 936,061 1,766,287	\$ 745, 780, \$ 1,525,	938 051 990	\$ 676,098 624,041 \$ 1,300,139	s	632,750 468,031 1,100,781	\$ 4 3 \$ 7	47,273 12,020 59,294	\$ 286,083 156,010 \$ 442,093	s - - s -
Total assets Liabilities Insurance ECFs CM remaining Total liabilities Stockholders' equity	s s	9,240,798 6,697,610 2,184,143 8,881,754	\$ 4,7 2,0 \$ 6,7	15,348 28,133 43,481	\$ 3,6 1,8 \$ 5,4	16,842 72,123 88,965	\$ 2,118,158 1,716,113 \$ 3,834,271	\$ 1,814,428 1,560,102 \$ 3,374,531	s s :	1,510,511 1,404,092 2,914,604	\$ 1,412,484 1,248,082 \$ 2,660,566	\$ 1 1 \$ 2	, 298, 029 , 092, 072 2, 390, 100	s s	830,226 936,061 1,766,287	\$ 745, 780, \$ 1,525,	938 051 990	\$ 676,098 624,041 \$ 1,300,139	s	632,750 468,031 1,100,781	\$ 4 3 \$ 7	47,273 12,020 59,294	\$ 286,083 156,010 \$ 442,093	\$ - \$ -
Total assets Liabilities Insurance ECFs CM remaining Total liabilities Stockholders' equity AOCI	s s s	9,240,798 6,697,610 2,184,143 8,881,754 0	\$ 4,7 2,0 \$ 6,7 \$	15,348 28,133 43,481 2	\$ 3,6 1,8 \$ 5,4 \$	16,842 72,123 88,965 3	\$ 2,118,158 1,716,113 \$ 3,834,271 \$ 7	\$ 1,814,428 1,560,102 \$ 3,374,531 \$ 15	\$ \$ \$	1,510,511 1,404,092 2,914,604 15	\$ 1,412,484 1,248,082 \$ 2,660,566 \$ (14,636)	\$ 1 5 2 5	,298,029 ,092,072 ,390,100 (39,959)	s s s	830,226 936,061 1,766,287 (43,415)	\$ 745, 780, \$ 1,525, \$ (31,	938 051 990 459)	\$ 676,098 624,041 \$ 1,300,139 \$ (943)	s s s	632,750 468,031 1,100,781 16	\$ 4 3 \$ 7 \$	47,273 12,020 59,294 16	\$ 286,083 156,010 \$ 442,093 \$ 1	\$ - \$ - \$ - \$ (0)
Total assets Liabilities Insurance ECFs CM remaining Total liabilities Stockholders' equity AOCI Retained earnings	s s s	9,240,798 6,697,610 2,184,143 8,881,754 0 365,044	\$ 4,7 2,0 \$ 6,7 \$ 9	15,348 28,133 43,481 2 17,400	\$ 3,6 1,8 \$ 5,4 \$ 1,5	16,842 72,123 88,965 3 78,365	\$ 2,118,158 1,716,113 \$ 3,834,271 \$ 7 2,197,666	\$ 1,814,428 1,560,102 \$ 3,374,531 \$ 15 2,190,807	\$ \$ \$	1,510,511 <u>1,404,092</u> 2,914,604 15 2,143,290	\$ 1,412,484 1,248,082 \$ 2,660,566 \$ (14,636) 1,935,335	\$ 1 5 2 \$ 2	298,029 ,092,072 ,390,100 (39,959) 2,541,303	s s s	830,226 936,061 1,766,287 (43,415) 2,917,011	\$ 745, 780, \$ 1,525, \$ (31, 3,188,	938 051 990 459) 909	\$ 676,098 624,041 \$ 1,300,139 \$ (943) 3,678,342	s s s	632,750 468,031 1,100,781 16 3,976,118	\$ 4 3 \$ 7 \$ 7 \$ 3,2	47,273 12,020 59,294 16 89,069	\$ 286,083 <u>156,010</u> \$ 442,093 \$ 1 <u>3,847,049</u>	\$ - \$ - \$ (0) 4,279,414
Total assets Liabilities Insurance ECFs CM remaining Total liabilities Stockholders' equity AOCI Retained earnings Total SE	s s s s	6,697,610 2,184,143 8,881,754 0 365,044 365,044	\$ 4,7 2,0 \$ 6,7 \$ 9 \$ 9	15,348 28,133 43,481 2 17,400 17,402	\$ 3,6 <u>1,8</u> \$ 5,4 \$ <u>1,5</u> \$ 1,5	16,842 72,123 88,965 3 78,365 78,368	\$ 2,118,158 1,716,113 \$ 3,834,271 \$ 7 2,197,666 \$ 2,197,673	\$ 1,814,428 1,560,102 \$ 3,374,531 \$ 15 2,190,807 \$ 2,190,821	\$ \$ \$ \$	1,510,511 1,404,092 2,914,604 15 2,143,290 2,143,305	\$ 1,412,484 1,248,082 \$ 2,660,566 \$ (14,636) 1,935,335 \$ 1,920,700	S 1 5 2 S 2 S 2	298,029 ,092,072 ,390,100 (39,959) 2,541,303 2,501,344	\$ \$ \$ \$	830,226 936,061 1,766,287 (43,415) 2,917,011 2,873,596	\$ 745, 780, \$ 1,525, \$ (31, 3,188, \$ 3,157,	938 051 990 459) 909 450	\$ 676,098 624,041 \$ 1,300,139 \$ (943) 3,678,342 \$ 3,677,398	\$ \$ \$ \$	632,750 468,031 1,100,781 16 3,976,118 3,976,134	\$ 4 3 \$ 7 \$ 3,2 \$ 3,2	47,273 12,020 59,294 16 89,069 89,085	\$ 286,083 <u>156,010</u> \$ 442,093 \$ 1 <u>3,847,049</u> \$ 3,847,050	\$ \$ \$ (0) <u>4,279,414</u> \$ 4,279,414

FASB Agenda ref

Income Statement		1		2		3		4		5		6		7		8		9		10		11		12		13		14		15
Single margin	\$	156,010	S	156,010	\$	156,010	\$	156,010	\$	156,010	S	156,010	\$	156,010	\$	156,010	\$	156,010	\$	156,010	\$	156,010	S	156,010	\$	156,010	\$	156,010	\$	156,010
Interest expense		(527,774)		(458, 194)		(304,272)		(204, 483)		(168, 327)		(136,720)		(98,295)		(63, 562)		(51,921)		(38, 190)		(41,027)		(41,242)		(30,782)		(32,440)		(13,917)
Recycle - liabilities				(2,592)		(16,010)		(34,514)		16,214		8,578		(4,226)		(25,353)		(29, 339)		(14,219)		(8,103)		(4,383)		(11,096)		1,456		(5,421)
Interest income		508,365		454,365		353,115		285,615		204,615		173,115		140,490		120,645		107,145		72,945		65,970		58,815		51,615		37,035		22,275
Dividend income		24,166		25,189		26,293		27,120		26,406		25,546		26,098		29,019		31,498		36,323		40,656		45,006		45,525		36,209		37,524
Realized gain (loss) - bonds		1,709		4,792		25,796		-		-		5,420		7,370		12,525		-		-		-		2,323		18,852		15.876		4,552
Realized gain (loss) - equities		-				-		-		-		-		-				-		-		-		-		-		-		-
Net income	\$	162,477	\$	179,570	\$	240,933	S	229,748	\$	234,919	\$	231,948	\$	227,447	\$	229,285	\$	213,392	\$	212,869	\$	213,507	\$	216,529	S	230,124	\$	214,147	\$	201,023
9 11																														
OCI		1		2		3		4		5		6		7		8		9		10		11		12		13		14		15
Liabilities																														
Change in discount rate	\$	(9,990)	S	(59, 543)	\$	(97,223)	S	203, 167	s	(27,944)	\$	(59, 363)	\$	(103,677)	\$	(21,983)	\$	19,724	\$	22,478	\$	10,867	\$	(15,411)	\$	16,259	\$	(6,370)	\$	-
Recycle		-		2,592		16,010		34,514		(16,214)		(8,578)		4,226		25,353		29,339		14,219		8,103		4,383		11,096		(1,456)		5,421
Assets																														
Bonds		9,990		59,801		84,089		(214,221)		37,795		56,247		83,872		(15, 150)		(38, 891)		(24,610)		3,782		12,474		(5,887)		13,842		-
Recycle - bonds		-		(2,849)		(2,875)		(23, 456)		6,370		11,694		928		(13,542)		(13,629)		(130)		7,763		(487)		(21,467)		(6,032)		(5,422)
Equities		202,567		372,787		420,032		389,552		(241,778)		(279, 464)		(435, 402)		376,682		162,316		59,029		275,926		81,247		(917, 174)		343,833		231,342
Recycle - equities		-		-		-		-		-		-						-				-				-		-		-
Total OCI	S	202,567	S	372,788	\$	420,033	\$	389,557	S	(241,771)	\$	(279, 464)	\$	(450,053)	\$	351,359	\$	158,860	\$	70,985	\$	306,442	\$	82,206	\$	(917,173)	\$	343,817	\$	231,341
Changes in Equity		1		2		3		4		5		6		7		8		9		10		11		12		13		14		15
Beginning equity	\$	-	S	365,044	\$	917,402	\$	1,578,368	S	2,197,673	S	2,190,821	S	2,143,305	\$ 1	,920,700	S	2,501,344	\$ 2	,873,596	\$.	3,157,450	S	3,677,398	S	3,976,134	\$.	3,289,085	\$ 3	,847,050
Net income		162,477		179,570		240,933		229,748		234,919		231,948		227,447		229,285		213,392		212,869		213,507		216,529		230,124		214,147		201,023
OCI		202,567		372,788		420,033		389,557		(241,771)		(279, 464)		(450,053)		351,359		158,860		70,985		306,442		82,206		(917,173)		343,817		231,341
Ending equity	\$	365,044	S	917,402	\$ 1	,578,368	\$.	2,197,673	\$	2,190,821	\$	2,143,305	\$	1,920,700	\$ 2	2,501,344	\$	2,873,596	\$ 3	,157,450	\$.	3,677,398	\$	3,976,134	s	3,289,085	\$.	3,847,050	\$ 4	,279,414
Palance Sheet	_	1	_	2		2		4		6		6		7		8		9		10		11		12	_	12		14		15
Assots			_	-					_		-	0				-	_			10			-	12	_	13	-	14		15
Cash	ç	384 586	ç	618 032	s	874 136	s	1 036 871	s	1 217 802	c	1 371 073	c	1 515 031	c -	658 121	s	1 746 763	5 1	846 031	s	1 0/2 657	s	2 038 801	ç	2 134 703	s	2 203 013	\$ 2	238 264
Investment in bonds		7 650 000		5 466 943		108 157	~	2 610 480		2 204 645	~	1 822 586	-	1 637 386		428 604	~	926 174		811 434	~	732 070	~	654 966	-	447 611		275 422	U 2,	,200,204
Investment in equities		1 202 221		1 575 008	1	995 040		2 384 593		2 142 814		1 863 350		1 427 948		804 630		1 966 946	2	025 975		2 301 901		2 383 148		1 465 975	3	1 809 807	2	041 150
Total assets	S	246 798	S	7 660 883	\$ 7	067 333	S	6 031 944	S	5 565 352	S	5 057 909	S	4 581 265	S d	1 891 444	S	4 639 883	5 4	683 439	S	4 977 537	S	5 076 915	S	4 048 379	S	4 289 143	5 4	279 414
Liabilities	-	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		,000,000		,001,000	-	0,001,014	-	0,000,002	-	0,007,000	-	1,001,200	-	,	-	1,000,000		,000,100	-	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	-	0,010,010	-	1,010,010	-	1,200,110		
Insurance ECEs	c /	5 607 610	5	1 715 3/8	e 2	616 842	c .	2 119 159	c	1 814 428	c	1 510 511	c	1 412 484		208 020	c	830 336	c	745 038	c	676 008	c	632 750	c	117 273	c	286.083	c	19
CM remaining	0	2 184 143		028 133	00	872 123	2.	1 716 113	3	1 560 102	2	1 /04 002	2	1 2/18 082	2	002 072	0	036.061	0	780.051	0	624 044	0	168 031	0	312 020	0	156 010	0	
Total liabilities		0 004 754		5 742 404	\$ 5	100 065	•	2 024 274	c	2 274 524	c	2 014 604	c .	2 660 566		200 400	c	1 766 297	C 1	525 000	0	1 200 420	0	400,001	0	750 204	0	100,010	\$	
Stockholders' equity	00	,001,134	00	,140,401	00	,400,300		0,004,211	0	0,014,001	0	2,314,004	0	2,000,000	0 4	.,030,100	0	1,100,207	01	,020,330	0	1,000,109	0	1,100,101	0	105,234	0	442,035	0	
AOCI	s	202 567	S	575 355	s	995 389	S	1 384 946	s	1 143 175	s	863 711	s	413 658	s	765 017	S	923 877	s	994 861	S	1 301 303	S	1 383 509	s	466 337	S	810 154	S 1	041 495
Retained earnings		162 477	-	342 047	-	582 979		812 728		1 047 647	-	1 279 595	-	1 507 042		736 327		1 949 719	2	162 588		2 376 095		2 592 625		2 822 749	-	3 036 896	3	237 919
Total SE	S	365 044	S	917 402	\$ 1	578 368	S	2 197 673	S	2 190 821	S	2 143 305	S	1 920 700	5 1	501 344	S	2 873 596	5 3	157 450	S	3 677 398	S	3 976 134	S	3 289 085	S	3 847 050	S A	279 414
Total Liabilities and SF	S	246 798	S	7 660 883	\$ 7	067 333	S	6 031 944	S	5 565 352	S	5 057 909	S	4 581 265	5	1 891 444	S	4 639 883	5 4	683 439	S	4 977 537	S	5 076 915	S	4 048 379	S	4 289 143	S A	279 414
, etal Elabilitido and OE		,		,000,000	01	,001,000	~	0,001,044	~	0,000,002	~	0,007,000	-	1,001,200		,001,444	v	1,000,000	~ 4	,000,400		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	~	0,010,010	v	1,040,073		1,200,140		210,414

Scenario 3 - Bonds: FV-OCI; Equities: FV-OCI; Change in liability discount rate: OCI

Insurance Contracts | Examples to illustrate the use of OCI

2E

82E

FASB Agenda ref

2E 82E

Scenario 4	Bonds: FV.NI: Fr	mities: FV.NI: Ch	ange in liability	discount rate: NI
ocontanto +	Donaon i a min L	undown i i min on	ange in nabinty	divoount rato, m

Income Statement		1		2		3		4	5)	F	5	7			8		9		10		11		12		13		14	1	5
Single margin	\$	156,010	S	156,010	S	156,010	\$ 1	156,010	\$ 15	56,010	\$ 15	56,010	\$ 15	6,010	\$ 1	56,010	S	156,010	\$	156,010	\$	156,010	S	156,010	S	156,010	\$	156,010	\$ 1	56,010
Interest expense		(527,774)	(*	458, 194)	((304,272)	(2	204, 483)	(16	j8,327)	(1.	36,720)	(9	(8,295)	((63, 562)		(51,921)		(38, 190)		(41,027)		(41,242)		(30,782)		(32,440)	(13,917)
Change in discount rate		(9,990)		(59,543)		(97,223)	2	203,167	(2	27,944)	(*	59,363)	(10	(3,677)	((21,983)		19,724		22,478		10,867		(15,411)		16,259		(6,370)		-
Interest income		508,365	4	454,365		353,115	2	285,615	20)4,615	17	73,115	14	0,490	1	20,645		107,145		72,945		65,970		58,815		51,615		37,035	1	22,275
Dividend income		24,166		25,189		26,293		27,120	2	26,406	1	25,546	2	6,098		29,019		31,498		36,323		40,656		45,006		45,525		36,209	4	37,524
Realized gain (loss) - bonds		1,709		1,943		22,921	((23,456)		6,370	1	17,113		8,298		(1,017)		(13,629)		(130)		7,763		1,836		(2,615)		9,845		(870)
Realized gain (loss) - equities		-		-		-		-		-		-		-		-		-		-		-		-		-				-
Unrealized gain (loss) - bonds		9,990		59,801		84,089	(2	214,221)	3	37,795	1	56,247	8	3,872	((15, 150)		(38,891)		(24,610)		3,782		12,474		(5,887)		13,842		-
Unrealized gain (loss) - equities		202,567	-	372,787		420,032	3	389,552	(24	1,778)	(27	79,464)	(43	5,402)	3	376,682		162,316		59,029		275,926		81,247		(917,174)		343,833	2	31,342
Net income	\$	365,044	\$	552,358	\$	660,966	\$ 6	319,305	\$	(6,852)	S	47,516)	\$ (22	2,606)	\$ 5	80,645	S	372,252	\$	283,854	\$	519,948	\$	298,736	\$	(687,049)	\$	557,964	\$ 4	32,364
Changes in Equity		1		2		3		4	5		F	5	7			8		9		10		11		12		13		14	1	5
Beginning equity	S	-	\$:	365,044	S	917,402	\$ 1,5	578,368	\$ 2,19	7,673	\$ 2,19	90,821	\$ 2,14	3,305	\$ 1,9	20,700	\$	2,501,344	\$ 2,	873,596	\$ 3,	157,450	\$	3,677,398	\$.	3,976,134	\$ 3,	,289,085	\$ 3,8	47,050
Net income		365,044	1	552,358		660,966	6	519,305	1	(6,852)	(47,516)	(22	2,606)	5	80,645		372,252		283,854		519,948		298,736		(687,049)		557,964	4	32,364
Ending equity	S	365,044	\$ 1	917,402	\$ 1,	578,368	\$ 2,1	197,673	\$ 2,19	0,821	\$ 2,1	43,305	\$ 1,92	0,700	\$ 2,5	01,344	\$	2,873,596	\$ 3,	157,450	\$ 3,	677,398	\$	3,976,134	\$	3,289,085	\$ 3,	,847,050	\$ 4,2	79,414
Balance Sheet		1		2		3		4	5		F	5	7		0	8		9		10		11		12		13		14	1	5
Assets																														-
Cash	s	384,586	5 (618,932	\$	874,136	\$ 1,0	36,871	\$ 1,21	17,892	\$ 1,37	71,973	\$ 1,51	5,931	\$ 1,6	58,121	\$	1,746,763	\$ 1,	846,031	\$ 1,	942,657	\$	2,038,801	\$	2,134,793	\$ 2,	,203,913	\$ 2,2	38,264
Investment in bonds	7	,659,990	5,	466,943	4,	198,157	2,6	510,480	2,20)4,645	1,8	22,586	1,63	7,386	1,4	28,694		926,174		811,434		732,979		654,966		447,611		275,422		-
Investment in equities	1	,202,221	1,	575,008	1,	995,040	2,3	384,593	2,14	12,814	1,8	63,350	1,42	7,948	1,8	04,630		1,966,946	2,	025,975	2,	301,901	3	2,383,148	1	1,465,975	1,	,809,807	2,0	41,150
Total assets	\$ 9	,246,798	\$ 7,0	660,883	\$ 7,	,067,333	\$ 6,0)31,944	\$ 5,56	5,352	\$ 5,0	57,909	\$ 4,58	1,265	\$ 4,8	91,444	S	4,639,883	\$ 4,	683,439	\$ 4,	977,537	\$	5,076,915	\$	4,048,379	\$ 4,	,289,143	\$ 4,2	79,414
Liabilities																														
Insurance ECFs	\$ 6	,697,610	\$ 4,	715,348	\$ 3,	616,842	\$ 2,1	118,158	\$ 1,81	4,428	\$ 1,5	10,511	\$ 1,41	2,484	\$ 1,2	98,029	S	830,226	S	745,938	S	676,098	S	632,750	S	447,273	S	286,083	S	-
CM remaining	2	184,143	2,1	028,133	1,	872,123	1,7	16,113	1,56	50,102	1,4	04,092	1,24	8,082	1,0	92,072		936,061		780,051		624,041		468,031		312,020		156,010		-
Total liabilities	\$ 8	,881,754	\$ 6,	743,481	\$ 5,	488,965	\$ 3,8	334,271	\$ 3,37	4,531	\$ 2,9	14,604	\$ 2,66	0,566	\$ 2,3	390,100	S	1,766,287	\$ 1,	525,990	\$ 1,	300,139	S	1,100,781	\$	759,294	\$	442,093	\$	-
Stockholders' equity											and the second											Contraction of the second								
AOCI	S	-	\$	-	S	-	S	-	S		S		S		S	-	S	-	\$	-	\$	-	S	-	S	5.0	\$		S	-
Retained earnings		365,044	1	917,402	1,	578,368	2,1	197,673	2,19	0,821	2,1	43,305	1,92	0,700	2,5	501,344	1	2,873,596	3,	157,450	3,	677,398	1	3,976,134		3,289,085	3,	,847,050	4,2	79,414
Total SE	S	365,044	\$!	917,402	\$ 1,	578,368	\$ 2,1	197,673	\$ 2,19	0,821	\$ 2,1	43,305	\$ 1,92	0,700	\$ 2,5	501,344	\$:	2,873,596	\$ 3,	157,450	\$ 3,	677,398	\$	3,976,134	\$.	3,289,085	\$ 3,	847,050	\$ 4,2	79,414
Total Liabilities and SE	\$ 9	,246,798	\$ 7,6	660,883	\$ 7,	067,333	\$ 6,0	031,944	\$ 5,56	5,352	\$ 5,05	57,909	\$ 4,58	1,265	\$ 4,8	391,444	S	4,639,883	\$ 4,	683,439	\$ 4,	977,537	\$	5,076,915	\$	4,048,379	\$ 4.	289,143	\$ 4,2	79,414

Example 2: 15 year policy with lump sum payment at the end of the coverage period

- 19. The remainder of this paper includes another example with a hypothetical asset portfolio, but has different cash flow assumptions than the example above. The same graphs and charts are provided for this example to illustrate the four scenarios for an insurance portfolio with a different payout pattern.
- 20. The analysis shown in this example considers a hypothetical investment of yearly insurance premium in a portfolio of fixed income and equity securities. The analysis has the following assumptions:
 - (a) Premiums of \$100,000 are received at the beginning of each year for 15 years. The insured period is 15 years, with claim liabilities of \$2.5M paid at the end of the 15th year.
 - (b) The single/residual margin is recognized straight-line over the payout period for simplicity (there is no risk adjustment under the IASB model).
 - (c) There is no change in the expected cash flows other than those resulting from a change in the discount rate. The expected and actual cash outflows are as follows:

Year	Cash Outflow
1	-
2	-
3	-
4	-
5	-
6	-
7	-
8	-
9	-
10	-
11	-
12	-
13	-
14	-
15	2,500,000

- (d) 90 per cent of the premiums received are invested in AA-rated corporate bonds maturing at the end of 15 years to match the expected payout of the liability.
- (e) 10 per cent of the premiums are invested in the S&P 500 index.
- (f) No other assets exist to pay the claim liabilities.
- (g) Cash received from interest and dividends is reinvested 90% in bonds(with terms equal to the remaining payout period) and 10% in equities.
- (h) Taxes are not considered in the analysis.
- (i) The income statements for each of the scenarios included in the examples are simplified and therefore do not contemplate the full presentation of the income statement (that is, premiums and other expenses are not presented).
- 21. The following graph shows the fair value of the bond portfolio compared with the current value of the insurance liabilities that result from an investment in a hypothetical portfolio of fixed income securities with maturities that are matched to the expected payments on the insurance liabilities.



22. Fixed income securities that mature at the end of the 15-year period are assumed to be sold if the year-end fair value exceeds the principal amount to be collected upon maturity. Otherwise, par is assumed to be collected on the maturing securities. (Because the fair value at maturity approximates the par value, any resulting gains and losses from sales of the securities are insignificant to the analysis.)

Unrealised gains and losses

23. The following chart shows the unrealized gains and losses on the hypothetical bond portfolio that would be presented in OCI compared to the unrealized gains and losses on the insurance liabilities that would be presented either in OCI or in net income, depending on the Scenario. For illustration purposes only, the staff assumed a yield curve for the discount rate for the period.

	Net Unrealiz	zed Gains (Losses)
		Effect of Discount
		Rate Change on
Year	Bonds	Liability
1	\$ 208	\$ (208)
2	8,464	(103,818)
3	11,877	(46,293)
4	(54,305)	212,293
5	10,747	(4,913)
6	20,727	(57,405)
7	58,894	(218,513)
8	(35,489)	21,489
9	(60,303)	33,797
10	(35,771)	37,889
11	11,336	39,102
12	30,147	(63,510)
13	(25,000)	125,117
14	114,072	(16,690)
15	(55,603)	41,662

24. The staff primarily focused on the scenarios in which bonds are recorded at FV-OCI and equities are recorded at FV-TPL but for completeness the staff have also illustrated the presentation of unrealized gains and losses on equity securities in OCI instead of net income. As such, the chart below shows the unrealized gains and losses on the equity securities are as follows:

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Net Un	realiz (Loss	zed Gains es)
Year	. I	Equities
1	\$	1,997
2		6,661
3		10,093
4		11,281
5		(7,895)
6		(10,331)
7		(18,242)
8		18,335
9		8,701
10		3,455
11		17,511
12		5,507
13		(65,553)
14		26,905
15		19,243

Net income under the four scenarios

25. The following graph summarizes the effect on net income of each of the four scenarios:



26. The graph below shows that the unwind of the discount rate in interest expense almost perfectly offsets the interest income in net income.



27. However, the graph below shows in more detail the effect that the change in the discount rate would have on the insurance liability and the movement in the value

IASB Agenda ref	2E
FASB Agenda ref	82E

of the bonds and the equity securities. The graph below illustrates a reason for recording both the change in the insurance liability and the change in the value of the bonds in the same manner (i.e., recording both changes in other comprehensive income or both changes in net income), as the change in the insurance liability would offset the change in the value of the bonds to an extent.

ASB Agenda ref	2E

82E

Effect of the Change in Discount Rate on the Liabilities and the Changes in the Values of the Bonds and Equity Securities



- 28. Scenario 1 in the graph uses the same assumptions for assets as Scenario 2 (that is, bonds: FV-OCI and equities: FV-NI), but the effects on insurance liabilities resulting from changes in the discount rate are reflected in net income instead of in OCI. If bonds are measured at fair value with changes through OCI and equities are measured at fair value with changes through NI, there may be significant changes in net income from one period to the next regardless of whether the effects on insurance liabilities of changes in the discount rate is presented in OCI or net income.
- 29. The following graph shows the effect on net income of the insurance liabilities only:

82E



30. For reference, the detail information for the above charts and graphs is included in the remaining pages of this paper for each of the four scenarios.

Scenario 1 - Bonds: FV-OCI; Equities: FV-NI; Change in liability discount rate: NI

Income Statement		1		2		3	-	4		5		6		7	-	8		9		10		11	_	12		13	-	14		15
Single margin	S	7 041	S	7 041	s	7 041	S	7 041	S	7 041	s	7 041	S	7 041	S	7 041	S	7 041	S	7 041	S	7 041	S	7 041	S	7 041	S	7 041	s	7 041
Interest expense		423	Ť	(7 082)	-	(19 218)		(27 401)	-	(31 371)		(42 392)	-	(53 880)	Ť	(56 949)	-	(66 081)	-	(77 111)	-	(90 158)	-	(105 721)	-	(96 407)	-	(144 406)		(133 275)
Change in discount rate		(208)		(103 805)		(42 200)		215 907		(6 643)		(58 128)		(218 515)		12 977		21,968		23 703		23 571		(78 954)		83 718		(27.982)		
Interest income		7 425		15 345		23 678		32 258		42 900		54 203		66 165		78 128		91 575		106 838		123 915		142 313		161 865		183 563		205 673
Dividend income		238		450		632		785		862		944		1 093		1 413		1 688		2 126		2 580		3 050		3 254		2 833		3 121
Realized gain (loss) - bonds		200		-		-		-		-		-		1,000		1,410		.,000		2,120		2,000		0,000		0,204		2,000		47 571
Unrealized gain (loss) - equities		1 997		6 661		10 093		11 281		(7 895)		(10.331)		(18 242)		18 335		8 701		3 455		17 511		5 507		(65 553)		26 905		19 243
Realized gain (loss) - equities		.,		-						-						-		-		-						(00,000)				
Net income	S	16.917	S	(81.389)	S	(19.974)	S	239.871	S	4.895	S	(48,663)	S	(216.338)	S	60.944	S	64.892	S	66.053	S	84,460	S	(26,765)	S	93,919	S	47.954	S	149.374
	-		-	((.,		(1				.,			-		÷	(==):==/	-		-			
OCI		1		2		3		4		5		6		7		8		9		10		11		12		13		14		15
Assets																														
Bonds		208		8,464		11,877		(54,305)		10,747		20,727		58,894		(35, 489)		(60,303)		(35,771)		11,336		30,147		(25,000)		114,072		(55,603)
Recycle - bonds	112					-				-				-		-		-				-				-		-		
Total OCI	\$	208	\$	8,464	\$	11,877	\$	(54,305)	\$	10,747	\$	20,727	\$	58,894	\$	(35, 489)	\$	(60,303)	\$	(35,771)	\$	11,336	\$	30,147	S	(25,000)	\$	114,072	\$	(55,603)
Changes in Equity		1		2		3		4		5		6		7		8		9		10		11		12		13		14		15
Beginning equity	\$		S	17,125	\$	(55,801)	\$	(63,898)	\$	121,668	\$	137,309	\$	109,373	\$	(48,071)	\$	(22,616)	S	(18,026)	\$	12,255	S	108,051	\$	111,434	\$	180,352	\$	342,378
Net income		16,917		(81,389)		(19,974)		239,871		4,895		(48,663)		(216, 338)		60,944		64,892		66,053		84,460		(26,765)		93,919		47,954		149,374
OCI		208		8,464		11,877		(54,305)		10,747		20,727		58,894		(35, 489)		(60, 303)		(35,771)		11,336		30,147		(25,000)		114,072		(55,603)
Ending equity	\$	17,125	\$	(55,801)	\$	(63,898)	\$	121,668	\$	137,309	\$	109,373	S	(48,071)	\$	(22,616)	\$	(18,026)	\$	12,255	\$	108,051	\$	111,434	S	180,352	\$	342,378	\$	436,149
Balance Sheet		1		2		3		4		5		6		7		8		9		10		11		12		13		14		15
Assets												-																		
Cash	S	1,957	S	2,219	S	3,418	\$	5,056	\$	6,553	\$	7,149	S	8,716	\$	10,088	S	11,588	S	12,563	\$	14,141	\$	18,065	\$	18,450	S	22,544	\$	266,368
Investment in bonds		186,429		300,722		425,876		494,160		637,930		804,022	1	1,018,930		1,152,714	1	1,274,479	1	1,436,710	1	1,663,035	1	1,925,811		2,155,609		2,543,062		-
Investment in equities		21,481		37,847		57,774		77,870		79,217		78,070		69,506		96,736		115,132		128,574		156,013		170,330		114,713		150,539	-	169,781
Total assets	S	209,868	Ş	340,788	\$	487,068	Ş	577,086	\$	723,700	\$	889,242	\$ 1	1,097,152	\$	1,259,538	\$ 1	1,401,200	\$ 1	1,577,847	\$	1,833,189	\$ 2	2,114,206	\$	2,288,771	\$	2,716,144	\$	436,149
Liabilities																														
Insurance ECFs	S	94,163	S	305,050	\$	466,468	\$	377,962	S	515,976	\$	716,496	\$ 1	1,088,892	S	1,232,864	\$ 1	1,376,977	\$ 1	1,530,384	S	1,696,972	\$ 1	1,981,648	\$	2,094,337	S	2,366,725	\$	-
CM remaining		98,580		91,539		84,497		77,456		70,415		63,373		56,332		49,290		42,249		35,207		28,166		21,124		14,083		7,041		
Total liabilities	\$	192,743	S	396,589	\$	550,965	\$	455,418	\$	586,391	S	779,869	\$ 1	1,145,223	\$	1,282,154	\$ 1	1,419,226	\$ 1	1,565,592	\$	1,725,138	\$ 2	2,002,772	S	2,108,420	\$	2,373,766	\$	-
Stockholders' equity																														
AOCI	S	208	\$	8,671	\$	20,549	\$	(33,757)	\$	(23,010)	\$	(2,283)	\$	56,611	\$	21,122	S	(39, 181)	S	(74,952)	\$	(63,616)	\$	(33,469)	\$	(58,469)	\$	55,603	\$	-
Retained earnings		16,917		(64, 472)		(84,447)		155,424		160,319		111,656		(104,682)		(43,738)	6	21,155		87,208		171,667		144,902		238,821		286,775		436,149
Total SE	S	17,125	S	(55,801)	\$	(63,898)	\$	121,668	\$	137,309	\$	109,373	\$	(48,071)	\$	(22,616)	\$	(18,026)	\$	12,255	\$	108,051	\$	111,434	\$	180,352	\$	342,378	\$	436,149
Total Liabilities and SE	\$	209,868	\$	340,788	\$	487,068	\$	577,086	\$	723,700	S	889,242	\$ 1	1,097,152	\$	1,259,538	\$ 1	1,401,200	\$ 1	1,577,847	5	1,833,189	\$ 2	2,114,206	\$	2,288,771	\$	2,716,144	S	436,149

Insurance Contracts | Examples to illustrate the use of OCI

Scenario 2 - Bonds: FV-OCI; Equities: FV-NI; Change in liability discount rate: OCI

Income Statement		1	2	3	4		5		6		7		8		9		10		11		12		13		14	_	15
Single margin	S	7,041	\$ 7,041	\$ 7,041	\$ 7,04	1 \$	7,041	\$	7,041	S	7,041	S	7,041	S	7,041	S	7,041	S	7,041	S	7,041	S	7,041	S	7,041	S	7,041
Interest expense		423	(7,082)	(19,218) (27,40	1)	(31,371)		(42,392)	1	(53,880)		(56,949)		(66,081)	1	(77,111)		(90, 158)		(105,721)		(96,407)		(144,406)	((133,275)
Recycle - liabilities		-	13	4,093	3,61	4	(1,730)		(724)		(3)		(8,512)		(11,829)	1	(14, 186)		(15,531)		(15,444)		(41,399)		(11,293)		(41,662)
Interest income		7,425	15,345	23,678	32,25	8	42,900		54,203		66,165		78,128		91,575	1	106,838		123,915		142,313		161,865		183,563		205,673
Dividend income		238	450	632	78	5	862		944		1,093		1,413		1,688		2,126		2,580		3,050		3,254		2,833		3,121
Realized gain (loss) - bonds		-	-	-		-	-		-		-		-		-		-		-		-		-		-		47,571
Unrealized gain (loss) - equities		1,997	6,661	10,093	11,28	1	(7,895)		(10,331)	1	(18,242)		18,335		8,701		3,455		17,511		5,507		(65, 553)		26,905		19,243
Realized gain (loss) - equities			-	-		-	-		-		-		-		-		-		-						-		-
Net income	S	17,125	\$ 22,428	\$ 26,319	\$ 27,57	8 \$	9,808	\$	8,742	\$	2,174	\$	39,455	\$	31,095	\$	28,164	\$	45,358	\$	36,745	\$	(31, 198)	\$	64,644	S	107,712
OCI		1	2	3	4		5		6		7		8		9	1	10		11		12		13		14		15
Liabilities																											
Change in discount rate	S	(208)	\$ (103,805)	\$ (42,200	\$ 215,90	7 \$	(6,643)	\$	(58, 128)	\$ (2	218,515)	\$	12,977	S	21,968	S	23,703	S	23,571	S	(78,954)	S	83,718	\$	(27,982)	S	-
Recycle		-	(13)	(4,093	(3,61	4)	1,730		724		3		8,512		11,829		14,186		15,531		15,444		41,399		11,293		41,662
Assets																											
Bonds		208	8,464	11,877	(54,30	5)	10,747		20,727		58,894		(35, 489)		(60, 303)		(35,771)		11,336		30,147		(25,000)		114,072		(55,603)
Recycle - bonds	-		-	-		-	-		-		-				-		-		-		-		-				-
Total OCI	S	(0)	\$ (95,354)	\$ (34,416	\$ 157,98	7 \$	5,834	\$	(36,678)	\$ (1	159,618)	\$	(14,000)	S	(26,506)	S	2,118	S	50,438	S	(33, 363)	\$	100,116	\$	97,382	S	(13,941)
													an ann a c														
Changes in Equity		1	2	3	4		5		6		7		8		9	1	10		11		12		13		14		15
Beginning equity	S	-	\$ 17,125	\$ (55,801	\$ (63,89	8) \$	121,668	\$	137,309	\$ 1	109,373	\$	(48,071)	\$	(22,616)	\$	(18,026)	\$	12,255	S	108,051	S	111,434	\$	180,352	\$	342,378
Net income		17,125	22,428	26,319	27,57	8	9,808		8,742		2,174		39,455		31,095		28,164		45,358		36,745		(31, 198)		64,644		107,712
OCI		(0)	(95,354)	(34,416	157,98	7	5,834		(36,678)	(1	159,618)		(14,000)		(26, 506)		2,118		50,438		(33, 363)	1	100,116		97,382		(13,941)
Ending equity	\$	17,125	\$ (55,801)	\$ (63,898	\$ 121,66	8 \$	137,309	\$	109,373	\$	(48,071)	\$	(22,616)	\$	(18,026)	\$	12,255	\$	108,051	\$	111,434	\$	180,352	\$	342,378	\$	436,149
																			-								
Balance Sheet		1	2	3	4		5		6		7		8		9		10		11		12		13		14		15
Assets																											
Cash	S	1,957	\$ 2,219	\$ 3,418	\$ 5,05	6 \$	6,553	S	7,149	\$	8,716	\$	10,088	S	11,588	S	12,563	S	14,141	S	18,065	S	18,450	\$	22,544	\$	266,368
Investment in bonds		186,429	300,722	425,876	494,16	0	637,930		804,022	1,0	018,930	1	1,152,714		1,274,479	1,4	136,710	1	1,663,035		1,925,811	2	2,155,609	2	2,543,062		-
Investment in equities		21,481	37,847	57,774	77,87	0	79,217		78,070		69,506		96,736		115,132	1	128,574		156,013		170,330		114,713		150,539		169,781
Total assets	\$	209,868	\$ 340,788	\$ 487,068	\$ 577,08	65	723,700	\$	889,242	\$ 1,0	097,152	\$ 1	1,259,538	\$	1,401,200	\$ 1,5	577,847	\$ 1	1,833,189	\$ 2	2,114,206	\$ 2	2,288,771	\$ 2	2,716,144	\$	436,149
Liabilities																											
Insurance ECFs	S	94,163	\$ 305,050	\$ 466,468	\$ 377,96	2 \$	515,976	\$	716,496	\$ 1,0	088,892	\$ 1	,232,864	S	1,376,977	\$ 1,5	530,384	\$ 1	1,696,972	S	1,981,648	\$ 2	2,094,337	\$ 2	2,366,725	S	-
CM remaining		98,580	91,539	84,497	77,45	6	70,415		63,373		56,332		49,290		42,249		35,207		28,166		21,124		14,083		7,041		-
Total liabilities	\$	192,743	\$ 396,589	\$ 550,965	\$ 455,41	8 S	586,391	\$	779,869	\$ 1,1	145,223	\$ 1	1,282,154	\$	1,419,226	\$ 1,5	565, 592	\$ 1	1,725,138	\$:	2,002,772	\$ 2	2,108,420	\$ 2	2,373,766	\$	-
Stockholders' equity																											
AOCI	\$	(0)	\$ (95,354)	\$ (129,770	\$ 28,21	7 \$	34,051	S	(2,627)	\$ (1	162,245)	S	(176,245)	S	(202,751)	\$ (2	200,633)	S	(150, 196)	S	(183, 558)	S	(83, 442)	\$	13,941	S	-
Retained earnings		17,125	39,553	65,872	93,45	0	103,258		112,000	1	114,174		153,629		184,725	2	212,888		258,247		294,992		263,793		328,437		436,149
Total SE	\$	17,125	\$ (55,801)	\$ (63,898	\$ 121,66	8 \$	137,309	\$	109,373	\$	(48,071)	\$	(22,616)	S	(18,026)	\$	12,255	\$	108,051	\$	111,434	\$	180,352	\$	342,378	\$	436,149
Total Liabilities and SE	\$	209,868	\$ 340,788	\$ 487,068	\$ 577,08	6 \$	723,700	\$	889,242	\$ 1,0	097,152	\$ 1	,259,538	\$	1,401,200	\$ 1,5	577,847	\$ 1	1,833,189	\$ 2	2,114,206	\$ 2	2,288,771	\$ 2	2,716,144	\$	436,149

Insurance Contracts | Examples to illustrate the use of OCI

Scenario 3 - Bonds: FV-OCI; Equities: FV-OCI; Change in liability discount rate: OCI

													-	_		_						_							
Income Statement		1		2	3		4		5		6		7		8		9	_	10	_	11		12		13		14		15
Single margin	\$	7,041	S	7,041 \$	7,041	S	7,041	\$	7,041	S	7,041	\$	7,041	\$	7,041	S	7,041	S	7,041	S	7,041	\$	7,041	\$	7,041	S	7,041	S	7,041
Interest expense		423		(7,082)	(19,218)		(27,401)		(31,371)		(42,392)		(53,880)		(56,949)		(66,081)		(77,111)		(90,158)		(105,721)		(96,407)		(144,406)		(133,275)
Recycle - liabilities		-		13	4,093		3,614		(1,730)		(724)		(3)		(8,512)		(11,829)		(14, 186)		(15,531)		(15,444)		(41,399)		(11,293)		(41,662)
Interest income		7,425		15,345	23,678		32,258		42,900		54,203		66,165		78,128		91,575		106,838		123,915		142,313		161,865		183,563		205,673
Dividend income		238		450	632		785		862		944		1,093		1,413		1,688		2,126		2,580		3,050		3,254		2,833		3,121
Realized gain (loss) - bonds		-		-	-		-				-		-		-		-		-		-		-		-		-		47,571
Realized gain (loss) - equities		-		-			-						-		-		-		-		-		-		-		-		-
Net income	\$	15,128	S	15,767 \$	16,226	\$	16,297	\$	17,703	\$	19,073	\$	20,417	S	21,120	\$	22,394	\$	24,709	\$	27,847	\$	31,239	\$	34,354	\$	37,739	\$	88,469
OCI		1		2	3		4		5		6		7		8		9		10		11		12		13		14		15
Liabilities																													
Change in discount rate	\$	(208)	S	(103,805) \$	(42,200)	S	215,907	S	(6,643)	s	(58, 128)	\$ (2	218, 515)	s	12,977	\$	21,968	S	23,703	\$	23,571	S	(78,954)	S	83,718	S	(27,982)	\$	-
Recycle		-		(13)	(4,093)		(3,614)		1,730		724		3		8,512		11,829		14,186		15,531		15,444		41,399		11,293		41,662
Assets																													
Bonds		208		8,464	11,877		(54,305)		10,747		20,727		58,894		(35, 489)		(60, 303)		(35,771)		11,336		30,147		(25,000)		114,072		(55,603)
Recycle - bonds		-		-	-		-				-		-		-		-		-		-		-		-		-		
Equities		1,997		6,661	10,093		11,281		(7,895)		(10,331)	8	(18,242)		18,335		8,701		3,455		17,511		5,507		(65, 553)		26,905		19,243
Recycle - equities		-		-	-		-				-				-		-		-		-				-		-		-
Total OCI	\$	1,997	\$	(88,693) \$	(24,322)	\$	169,268	\$	(2,062)	\$	(47,009)	\$ (1	177,861)	5	4,335	\$	(17,805)	\$	5,573	\$	67,949	\$	(27,856)	\$	34,564	\$	124,287	\$	5,302
Changes in Equity		1		2	3		4		5		6		7		8		9		10		11		12		13		14		15
Beginning equity	\$		\$	17,125 \$	(55,801)	\$	(63,898)	\$	121,668	\$	137,309	\$ 1	109,373	s	(48,071)	S	(22,616)	\$	(18,026)	\$	12,255	\$	108,051	\$	111,434	\$	180,352	\$	342,378
Net income		15,128		15,767	16,226		16,297		17,703		19,073		20,417		21,120		22,394		24,709		27,847		31,239		34,354		37,739		88,469
OC/		1,997		(88,693)	(24, 322)		169,268		(2,062)		(47,009)	(1	177,861)		4,335		(17,805)		5,573		67,949		(27,856)		34,564		124,287		5,302
Ending equity	S	17,125	S	(55,801) \$	(63,898)	S	121,668	S	137,309	\$	109,373	\$	(48,071)	\$	(22,616)	S	(18,026)	\$	12,255	s	108,051	S	111,434	S	180,352	S	342,378	\$	436,149
				11 A. 11																									
Balance Sheet		1		2	3		4		5		6		7		8		9		10		11		12		13		14		15
Assets																													
Cash	\$	1,957	S	2,219 \$	3,418	\$	5,056	\$	6,553	\$	7,149	\$	8,716	\$	10,088	S	11,588	S	12,563	S	14,141	\$	18,065	\$	18,450	\$	22,544	5	266,368
Investment in bonds		186,429		300,722	425,876		494,160		637,930		804,022	1,0	018,930	1	1,152,714		1,274,479	1	1,436,710	1	1,663,035		1,925,811		2,155,609		2,543,062		-
Investment in equities		21,481		37,847	57,774		77,870		79,217		78,070		69,506		96,736		115,132		128,574		156,013		170,330		114,713		150,539		169,781
Total assets	\$	209,868	\$	340,788 \$	487,068	S	577,086	\$	723,700	\$	889,242	\$ 1,0	097,152	\$	1,259,538	\$	1,401,200	\$ 1	1,577,847	\$	1,833,189	\$	2,114,206	\$	2,288,771	\$	2,716,144	\$	436,149
Liabilities																													
Insurance ECFs	S	94,163	S	305.050 S	466.468	S	377.962	S	515.976	s	716.496	\$ 1.0	088.892	5	1.232.864	S	1.376.977	5 1	1.530.384	S	1.696.972	S	1.981.648	S	2.094.337	S	2.366.725	s	
CM remaining		98 580		91 539	84,497		77 456		70 415	-	63 373		56.332	1000	49 290		42 249		35 207		28 166	-	21 124		14 083		7.041		
Total liabilities	S	192 743	S	396 589 \$	550 965	S	455 418	S	586 391	S	779 869	\$ 11	145 223	S	1 282 154	S	1 419 226	S 1	1 565 592	S	1 725 138	S	2 002 772	S	2 108 420	S	2 373 766	S	<u> </u>
Stockholders' equity					,						,		,		.,,		.,,		.,,		.,		_,		2,100,120		2,010,110	-	
AOCI	S	1,997	S	(86,696) \$	(111.019)	S	58,250	S	56,188	s	9.178	\$ (1	168 682)	5	(164.347)	S	(182, 152)	S	(176.579)	S	(108.630)	S	(136, 487)	S	(101.923)	S	22,364	S	27.667
Retained earnings		15 128	-	30 895	47 121	-	63 418		81 121	-	100 194	- 1	120 611		141 731	-	164 126	-	188 834	-	216 682	-	247 920		282 275	-	320.013	1	408 483
Total SE	S	17 125	S	(55 801) \$	(63 898)	S	121 668	S	137 309	S	109 373	S	(48 071)	S	(22 616)	S	(18 (26)	S	12 255	S	108.051	S	111 434	S	180 352	S	342 378	S	436 149
Total Liabilities and SF	S	209 868	S	340 788 \$	487 068	S	577 086	S	723 700	S	889 242	\$ 10	097 152	S	1 259 538	S	1 401 200	S	1 577 847	S	1 833 189	S	2 114 206	S	2 288 771	S	2 716 144	S	436 149
Total Lidonnes and OL		200,000	0	010,700 0	407,000	0	011,000	0	120,100	~	100,242	v 1,0	001,102	2	,203,000	4	1,401,200	0	1,011,041	~	1,000,103	V	2, 114,200	0	2,200,111	4	6,110,144	-	400,143

Insurance Contracts | Examples to illustrate the use of OCI

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Scenario 4 - Bonds: FV-NI; Equities: FV-NI; Change in liability discount rate: NI

Income Statement		1		2		3		4	_	5		6		7		8		9		10		11		12		13		14		15
Single margin	\$	7,041	S	7,041	s	7,041	S	7,041	\$	7,041	\$	7,041	\$	7,041	\$	7,041	\$	7,041	S	7,041	\$	7,041	S	7,041	S	7,041	\$	7,041	\$	7,041
Interest expense		423		(7,082)	((19,218)		(27,401)		(31,371)		(42,392)		(53,880)		(56,949)		(66,081)		(77,111)		(90, 158)		(105,721)		(96,407)		(144,405)		(133,275)
Change in discount rate		(208)	1	(103,805)	((42,200)		215,907		(6,643)		(58, 128)	(218, 515)		12,977		21,968		23,703		23,571		(78,954)		83,718		(27,982)		-
Interest income		7,425		15,345		23,678		32,258		42,900		54,203		66,165		78,128		91,575		106,838		123,915		142,313		161,865		183,563		205,673
Dividend income		238		450		632		785		862		944		1,093		1,413		1,688		2,126		2,580		3,050		3,254		2,833		3,121
Realized gain (loss) - bonds		-		-				-		-		-		-		-		-		-		-		-		-		-		47,571
Realized gain (loss) - equities		-		-		-		-		-		-		-				-		-		-		-		-		-		-
Unrealized gain (loss) - bonds		208		8,464		11,877		(54,305)		10,747		20,727		58,894		(35, 489)		(60, 303)		(35,771)		11,336		30,147		(25,000)		114,072		(55,603)
Unrealized gain (loss) - equities		1,997		6,661		10,093		11,281		(7,895)		(10,331)		(18,242)		18,335		8,701		3,455		17,511		5,507		(65, 553)	1	26,905		19,243
Net income	\$	17,125	\$	(72,926)	\$	(8,097)	\$	185,565	\$	15,641	\$	(27,936)	\$ (157,444)	\$	25,455	\$	4,589	\$	30,282	\$	95,796	\$	3,383	\$	68,918	\$	162,025	\$	93,771
																	1													
Changes in Equity		1		2		3		4		5		6		7		8		9		10		11		12		13		14		15
Beginning equity	\$	-	S	17,125	S (:	(55,801)	\$	(63,898)	\$	121,668	\$	137,309	S	109,373	\$	(48,071)	S	(22,616)	\$	(18,026)	\$	12,255	\$	108,051	\$	111,434	5	180,352	\$	342,378
Net income		17,125		(72,926)		(8,097)		185,565		15,641		(27,936)	(157,444)		25,455		4,589		30,282		95,796		3,383		68,918		162,025		93,771
Ending equity	\$	17,125	S	(55,801)	\$ ((63,898)	S	121,668	\$	137,309	\$	109,373	\$	(48,071)	\$	(22,616)	\$	(18,026)	\$	12,255	\$	108,051	S	111,434	\$	180,352	S	342,378	\$	436,149
Balance Sheet		1		2		3		4		5		6		7		8		9		10		11		12		13		14		15
Assets																														
Cash	S	1,957	S	2,219	s	3,418	S	5,056	s	6,553	S	7,149	S	8,716	s	10,088	s	11,588	S	12,563	s	14,141	S	18,065	S	18,450	S	22,544	S	266,368
Investment in bonds		186,429		300,722	4	25,876		494,160		637,930		804,022	1,	018,930	1	1,152,714		1,274,479	1.	436,710		1,663,035		1,925,811	2	,155,609		2,543,062		-
Investment in equities		21,481		37,847		57,774		77,870		79,217		78,070		69,506		96,736		115,132		128,574		156,013		170,330		114,713		150,539		169,781
Total assets	S	209,868	\$	340,788	\$ 4	187,068	S	577,086	\$	723,700	\$	889,242	\$ 1.	097,152	\$	1,259,538	S	1,401,200	\$ 1,	577,847	S	1,833,189	\$	2,114,206	\$ 2	,288,771	S	2,716,144	\$	436,149
Liabilities																														
Insurance ECFs	S	94,163	S	305.050	\$ 4	66.468	S	377.962	S	515,976	S	716.496	\$ 1.	088.892	S	1.232.864	S	1.376.977	\$ 1.	530.384	S	1.696.972	S	1.981.648	\$ 2	.094.337	S	2.366.725	S	-
CM remaining	-	98,580	-	91,539		84,497		77.456		70,415	-	63.373	-	56.332		49,290	-	42.249		35,207	-	28,166	-	21,124		14.083		7.041	1.762	-
Total liabilities	S	192,743	S	396,589	\$ 5	50.965	S	455,418	S	586,391	S	779,869	\$ 1.	145,223	S	1.282.154	S	1.419.226	S 1.	565.592	S	1.725.138	S	2.002.772	S 2	108,420	S	2.373.765	S	2
Stockholders' equity																														
AOCI	S	-	S		s		S	-	S	-	S	-	S	-	S	-	S	-	S	-	S	-	S	-	S	-	S	-	S	
Retained earnings		17.125		(55.801)	((63.898)		121.668		137.309		109.373		(48.071)		(22.616)		(18.026)		12 255		108.051		111.434		180.352		342.378	-	436,149
Total SE	S	17,125	S	(55,801)	s ((63,898)	S	121.668	S	137,309	S	109.373	S	(48.071)	S	(22,616)	S	(18.026)	S	12.255	S	108.051	S	111,434	S	180.352	S	342.378	S	436,149
Total Liabilities and SE	S	209 868	S	340 788	S 4	197 069	c	577 096	C	700 700	0	000 0 /0		007 450	-	050 500	-	4 404 000	0 4	577 0 17	-	4 000 400	-	0 444 000	0.0	000 774	-	0 746 444	6	136 140
				174C/ / C/C/	3 44	α uuo	-2	377 000		123 100	3	884 /4/	5 7	09/ 152	5	259 538	S	1 401 200	5 7	5// 84/	- 35	1 8 3 189	3	2 114 200	3 /	266 //1		/ / 10 144		MAL 21 2 1 44 74