STAFF PAPER

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REG IASB Meeting

Project	**Insurance contracts**
Paper topic	Presentation and disclosures: Proposed drafting

CONTACT(S)	Andrea Pryde	apryde@ifrs.org	+44 (0)20 7246 6491
	Izabela Ruta	iruta@ifrs.org	+44 (0)20 7246 6957

Introduction

1. At its September 2012 meeting, the staff stated that we would provide a mark-up that shows how the proposals in the ED would be amended by any future staff recommendations relating to presentation and disclosure. This paper fulfils that role. The drafting in this paper incorporates the recommendations in:

   (a) Agenda paper 3B *Presentation and disclosures: Presentation of insurance contracts in the financial statements*, which reviews the line items presented in the statement of financial position and the statement of comprehensive income for all insurance contracts; and

   (b) Agenda paper 3C *Presentation and disclosures: Disclosures relating to participating contracts, earned premium and transition*, which considers the disclosures needed for participating contracts, the presentation of earned premiums in the statement of comprehensive income and transition.

2. The Appendix illustrates how the tentative decisions and recommendations for the presentation of the insurance contracts in the financial statement and the reconciliations of the balances presented in the statement of financial position and statement of comprehensive income might be applied.

The following text shows how the staff propose to modify the proposals in the ED to reflect previous board decisions and the recommendations in papers 3B *Presentation and disclosures: Presentation of insurance contracts in the financial statements* and 3C *Presentation and disclosures: Disclosures relating to participating contracts, earned premium and transition*.

Proposed requirement	**Staff comment/IASB decisions**
Presentation	
Statement of financial position	
69 An insurer shall not offset portfolios of ~~present each portfolio of~~ insurance contracts that are in an asset position with portfolios of insurance contracts that are in a liability position ~~as a single item within insurance contract assets or insurance contract liabilities~~.	Some respondents misunderstood the intention of this statement, which was to allow net presentation within a portfolio, but not to offset net asset portfolios against net liability portfolios. Some read our intention as being to require separate presentation for each portfolio. We propose to clarify the drafting as shown.
70 An insurer shall not offset reinsurance assets against insurance contract liabilities.	We propose to carry forward this disclosure requirement from the ED as it was not contentious.
~~**71 An insurer shall present:**~~ ~~**(a) the pool of assets underlying *unit-linked contracts* as a single line item, and not commingle it with the insurer's other assets.**~~ ~~**(b) the portion of the liabilities from unit-linked contracts linked to the pool of assets in (a) as a single line item and not commingle it with the insurer's other insurance contract liabilities.**~~	The boards' previously decided not to treat unit-linked contracts differently from other participating contracts. Consequently this disclosure is unnecessary.
Statement of comprehensive income	
71A An insurer shall present revenue over the coverage period as the insurer satisfies	At their meeting in the week commencing 15 October

Proposed requirement	Staff comment/IASB decisions
its obligations arising from an insurance contract. An insurer shall use the measurement of the liability for remaining coverage described in this [draft] IFRS to measure its progress in satisfying its obligation to provide coverage.	2012, the boards tentatively decided that insurers should apply an earned premium presentation.
71B If an insurance contract requires the insurer to repay amounts to policyholders or their beneficiaries regardless of whether an insured event occurs, an insurer shall: (a) exclude from revenue the amounts that had been deposited by the policyholder for such repayments. (b) exclude those repayments from the claims incurred.	At their meeting in the week commencing 19 March 2012, the IASB tentatively decided that insurers should exclude from the aggregate premium presented in the statement of comprehensive income the present value of the amounts the insurer is obligated to pay to policyholders or their beneficiaries regardless of whether an insured event occurs, determined consistently with measurement of the overall insurance contract liability.
~~72 At a minimum, an insurer shall include for insurance contract line items in its statement of comprehensive income that present the following amounts for the period:~~	See Agenda paper 3B *Presentation and disclosures: Presentation of insurance contracts in the financial statement* which discusses presentation for insurance contracts in the financial statements and recommends that the board relies on the requirements of IAS 1 for the presentation of the statement of comprehensive income.
~~(a) Underwriting margin, disaggregated either in the statement of comprehensive income or in the notes into~~: ~~(i) the change in risk adjustment.~~ ~~(ii) the release of residual margin.~~	This information will be provided in the reconciliation of contract balances in paragraphs 86-86C
~~(b) gains and losses at initial recognition, disaggregated either in the statement of comprehensive income or in the notes into:~~	Moved to paragraph 87 of the disclosure section
(i) ~~losses on insurance contracts acquired in a portfolio transfer (see paragraph 40(b)).~~	
(ii) ~~losses at initial recognition of an insurance contract (see paragraph 18).~~	

Proposed requirement	**Staff comment/IASB decisions**
(iii) ~~gains on reinsurance contracts, bought by a cedant (see paragraph 45(b)).~~	
~~(c) acquisition costs that are not incremental at the level of an individual contract (see paragraph 39(b)).~~	See Agenda paper 3B *Presentation and disclosures: Presentation of insurance contracts in the financial statements* which proposes that the Board does not require separate presentation of acquisition costs in the statement of comprehensive income.
~~(d) experience adjustments and changes in estimates, disaggregated either in the statement of comprehensive income or in the notes into:~~	This information would be available from the reconciliation of contract balances required by paragraph 86A
~~(i) differences between actual cash flows and previous estimates of those cash flows (ie experience adjustments).~~	
(~~ii~~) ~~changes in estimates of cash flows and changes in discount rates~~.	
~~(iii) impairment losses on reinsurance assets.~~	Moved to paragraph 87 of the disclosures section
~~(e) interest on insurance contract liabilities.~~	Incorporated in paragraph 76
~~73 The changes in estimates of discount rates and the interest on insurance liabilities shall be presented or disclosed in a way that highlights their relationship with the investment return on the assets backing those liabilities.~~	Moved to paragraph 87C in the disclosures section
~~74 An insurer shall not present in the statement of comprehensive income, except as noted in paragraph 75(a):~~	At their meeting in the week commencing 15 October 2012, the board tentatively that to require an earned premium presentation, whereby premiums are allocated to periods in proportion to the value of coverage (and any other services) that the insurer has provided in the period, and claims are presented when incurred.
~~(a) premiums, which instead are treated in the same way as deposit receipts; and~~	
~~(b) claims expenses, claims handling expenses, incremental acquisition costs and other expenses included in the measurement of the insurance contract, which instead are treated in the same way as repayments of deposits.~~	
~~75 For some short-duration contracts, the pre-claims liability is measured in accordance with paragraphs 56–60. For those contracts, an insurer shall, in addition to the~~	At their meeting in the week commencing 15 October 2012, the board tentatively decided to require an earned

Proposed requirement	Staff comment/IASB decisions
~~applicable line items in paragraph 72, include in its statement of comprehensive income line items that present the following amounts from insurance contracts for the period:~~	premium presentation. Accordingly, separate presentation for short duration contracts is no longer required. See agenda paper 3B *Presentation and disclosures: Presentation of insurance contracts in the financial statements*
~~(a) the underwriting margin, disaggregated either in the statement of comprehensive income or in the notes into:~~	
(i) ~~premium revenue, determined as the gross release of the pre-claims obligation (ie grossed-up for the amortisation of incremental acquisition costs, see paragraph 57(a)).~~	
(ii) ~~claims incurred.~~	
(iii) ~~expenses incurred.~~	
(iii) ~~amortisation of incremental acquisition costs included in the pre-claims obligation (see paragraph 57(b)).~~	
~~(b) changes in additional liabilities for onerous contracts (see paragraph 60).~~	
76 An insurer shall present ~~all income and expense from insurance contracts~~ in profit or loss~~.~~<ins>:</ins> **<ins>(a) interest on insurance contract liabilities determined using the discount rate that applied at inception of the contract.[1]</ins>** **<ins>(b) all other income and expense, except as described in paragraph 76A.</ins>** **<ins>76A An insurer shall present in other comprehensive income the effects of changes in estimates of discount rates on insurance contracts and reinsurance</ins>**	At their meeting in the week commencing 21 May 2012, the boards tentatively decided that an insurer should be required to present in OCI changes in the insurance liability arising from changes in the discount rate and to present in profit or loss interest expense using the discount rate locked in at inception of the insurance contract. At its meeting on 11 May 2011, the IASB tentatively decided that an insurer should present changes in the

[1] We will consider at a later stage how to implement the recommendation in agenda paper 2A *Discount rate – cash flows to which mirroring does not apply but are affected by expected asset returns.*

Proposed requirement	Staff comment/IASB decisions
contracts, unless these contracts specify a contractual link to underlying items (ie for participating contracts) and changes in the carrying amount of the underlying items are presented in profit and loss.	insurance contract liability in the statement of comprehensive income consistently with the presentation of changes in the linked items (ie in profit or loss, or in other comprehensive income).
77 An insurer shall not offset income or expense from reinsurance contracts against the expense or income from insurance contracts.	We propose to carry forward this disclosure requirement from the ED as it was not contentious.
~~**78 An insurer shall present income and expense from:**~~ ~~**(a) unit-linked contracts as a single line item, and not commingle them with income and expense from the insurer's other insurance contract liabilities.**~~ ~~**(b) the pool of assets underlying unit-linked contracts as a single line item, and not commingle them with income or expense from the insurer's other assets.**~~	Deleted consistent with the recommendation in paper 3B that the presentation in the statement of comprehensive income should rely on the requirements in IAS 1.
Disclosure	
79 The objective of the disclosure requirements is to enable ~~To help~~ users of financial statements to understand the nature, amount, timing and uncertainty of future cash flows arising from insurance contracts. To achieve that objective, an insurer shall disclose qualitative and quantitative information about: **(a) the amounts recognised in its financial statements arising from insurance contracts (see paragraphs 85–89~~90~~)** **(b) the significant judgements, and changes in the judgements, made in applying the [draft] IFRS to those contracts (see paragraph 90); and** **(~~b~~c) the nature and extent of risks arising from insurance contracts (see paragraphs 91–97).**	At their meeting in the week commencing 21 March 2011, the boards agreed to align the wording of the disclosure objectives of active projects (revenue recognition, leases and insurance contracts).

Proposed requirement	**Staff comment/IASB decisions**
80 If the disclosures required by this [draft] IFRS and other IFRSs do not meet that objective in a particular situation, an insurer shall disclose whatever additional information is necessary to meet that objective.	We propose to carry forward this disclosure requirement from the ED as it was not contentious.
81 An insurer shall consider the level of detail necessary to satisfy the disclosure ~~requirements~~ objective and how much emphasis to place on each of the various requirements. An insurer shall aggregate or disaggregate information so that useful information is not obscured by either the inclusion of a large amount of insignificant detail or the aggregation of items that have different characteristics.	To conform with equivalent paragraph in other standards.
~~82 An insurer shall provide sufficient information to permit reconciliation to the line items presented in the statement of financial position.~~	Moved to section on information about insurance contracts
~~83 The disclosures required in this [draft] IFRS shall not aggregate information relating to different reportable segments, as defined in IFRS 8 *Operating Segments*.~~	See comment at 81A
81A~~84~~ Examples of aggregation levels that might be appropriate are: (a) type of contract (eg major product lines). (b) geography (eg country or region). (c) reportable segment, as defined in IFRS 8 *Operating Segments*.	Moved from lower down. At their meeting in the week commencing on 19 September 2011, the boards tentatively decided to delete the requirement that an insurer shall not aggregate information relating to different reportable segments to avoid a conflict with the principle for the aggregation level of disclosures. Thus the level of aggregation could vary for different types of qualitative and quantitative disclosures. However, the standard would add to the examples listed in paragraph 84 of the ED by stating that one appropriate aggregation level might be reportable segments.
84A Amounts disclosed are for each period for which a statement of comprehensive	Added to be consistent with the proposals in revenue

Proposed requirement	Staff comment/IASB decisions
income is presented and as of each date for which a statement of financial position is presented, as applicable, unless otherwise stated.	recognition.
84B An insurer need not disclose information in accordance with this [draft] IFRS if it has provided the information in accordance with another IFRS.	Added to be consistent with the proposals in revenue recognition.
Explanation of recognised amounts relating to insurance contracts	
85 An insurer shall: (a) disclose information about the amounts recognised in its financial statements relating to insurance contracts in sufficient detail to help users of its financial statements evaluate the nature, timing, amount and uncertainty of future cash flows arising from insurance contracts. (b) provide sufficient information to permit reconciliation to the line items presented in the statements of comprehensive income and financial position. ~~, including:~~ ~~(a) reconciliation from the opening to the closing aggregate contract balances (see paragraphs 86–89); and~~ ~~**(b)** the methods and inputs used to develop the measurements (see paragraph 90).~~	The requirement to disclose the methods and inputs used to develop the measurements has been moved down to provide a lead in to a later section. The requirement to provide sufficient information to permit reconciliation to the line items presented in the statement of financial position has been moved from paragraph 82. At their meeting in the week commencing 24 September 2012, the IASB tentatively decided to require an entity to provide sufficient information to permit reconciliation to the line items presented in the statements of comprehensive income and financial position.
86 To comply with paragraph 85~~(a)~~, an insurer shall disclose a reconciliation from the opening to the closing balance of ~~each of the following,~~ the aggregate carrying amount of insurance contract liabilities and insurance contract assets that shows how that balance is affected by cash flows and by income and expenses presented in the income statement. That reconciliation shall be presented in tabular format and separately reconcile the opening and closing	At their meeting in the week commencing 21 March 2011, the boards tentatively decided that an entity would be required to present in tabular format any roll forward retained by or added to disclosure requirements

Proposed requirement	Staff comment/IASB decisions
balances of: ~~if applicable~~:	
~~(a) insurance contract liabilities and, separately, insurance contract assets,~~	Portfolios of insurance contracts may move from an asset to a liability position over time. It may be more practical to add together the asset and liability positions on the statement of financial position and perform a single net reconciliation.
(a) liabilities for remaining coverage, excluding any amounts attributable to losses on initial recognition or to subsequent changes in estimates recognised immediately in profit or loss; (b) liabilities for remaining coverage attributable to (i) losses on initial recognition and (ii) subsequent changes in estimates recognised immediately in profit or loss; (c) liabilities for incurred claims..	See agenda paper 3C *Presentation and disclosures: Disclosures relating to participating contracts, earned premium presentation and transition.*
~~(b) risk adjustments included in (a).~~ ~~(c) residual margins included in (a).~~	
~~(d) reinsurance assets arising from reinsurance contracts held by the insurer as a cedant.~~ ~~(e) risk adjustments included in (d).~~ ~~(f) residual margins included in (d).~~	
~~(g) impairment losses on reinsurance assets.~~	This would be shown as part of the reconciliation of the reinsurance assets in (b)
86A To comply with paragraph 85, a cedant shall disclose a reconciliation from the	This paragraph makes explicit the equivalent of the

Proposed requirement	Staff comment/IASB decisions
opening to the closing balance of the aggregate carrying amount of reinsurance contract liabilities and reinsurance contract assets that shows how that balance is affected by cash flows and by income and expense presented in the income statement. That reconciliation shall be presented in tabular format and separately reconcile the opening and closing balances of: (a) The expected recovery relating to the remaining coverage, excluding amounts attributable to changes in estimates recognised immediately in profit or loss; (b) The expected recovery relating to remaining coverage attributable to changes in estimates recognised immediately in profit and loss; and (c) The expected recovery relating to incurred claims.	requirement in paragraph 86 for reinsurance assets.
86B Subject to paragraph 86D, an insurer shall disclose a reconciliation from opening to closing balances of the aggregate carrying amount of insurance contract liabilities and insurance contract assets that shows the sources of profit for the period. That reconciliation shall be presented in tabular format and separately reconcile the opening and closing balances of: (a) the expected present value of the future cash flows (b) risk adjustment (c) residual margin.	At its September 2012 meeting, the IASB decided that insurers should disclose a reconciliation of the aggregate carrying amount of insurance contract liabilities and insurance contract assets, showing separately: (i) the expected present value of fulfilment cash flows (ii) risk adjustment (iii) residual margin. (This was the summarised margin information previously proposed in paragraph 86 of the ED)
86C Subject to paragraph 86D, an insurer shall disclose a reconciliation from opening to closing balances of the aggregate carrying amount of reinsurance contract liabilities and reinsurance contract assets that shows the sources of profit for the period. That reconciliation shall be presented in tabular format and separately reconcile the opening and closing balances of:	This paragraph makes explicit the equivalent of the requirement in paragraph 86B for reinsurance assets.

Proposed requirement	Staff comment/IASB decisions
(a) the expected present value of the future cash flows (b) risk adjustment (c) residual margin.	
86D An insurer that applies paragraphs 55-60 *[relating to the premium allocation approach for insurance contracts]* to insurance contracts it issues, or a cedant that applies paragraphs 59B and 59C to reinsurance contracts it holds, need not provide the reconciliation in paragraph 86B and 86C for the portion of the insurance contract relating to the liability for remaining coverage.	
87 For each reconciliation required by paragraphs 86-86C, an insurer shall identify separately ~~show~~ each of the following, if applicable: ~~(a) the carrying amounts at the beginning and end of the period.~~	Already required by paragraph 86-86C
~~(b) new contracts recognised during the period.~~	
(c) premiums received	
~~(d) payments, with separate disclosure of:~~ (d~~i~~) claims and benefits paid ~~(ii) expenses~~	We think the claims and benefits are the most important item that warrants separate identification.
~~(iii) incremental acquisition costs.~~	
~~(e) other cash paid and, separately, other cash received.~~	Covered by the requirement to disclose ‘any additional line items that may be needed to understand the change in the contract assets and contract liabilities’.

Proposed requirement	Staff comment/IASB decisions
(e) losses on insurance contracts acquired in a portfolio transfer (see paragraph 40(b)). (f) losses at initial recognition of an insurance contract (see paragraph 18). (g) gains on reinsurance contracts, bought by a cedant (see paragraph 45(b)).	Carried forward from paragraph 72 of the ED
~~(f) income and expense, reconciled to the amounts disclosed to comply with paragraphs 72 and 75.~~ (h) gains and losses arising on modification, commutation or derecognition of an insurance contract.	At its meeting in September 2012, the IASB decided to require disclosure of gains or losses on contract modification, commutation or derecognition.
(i~~g~~) amounts relating to contracts acquired from, or transferred to, other insurers in portfolio transfers or business combinations.	We propose to carry forward this disclosure requirement from the ED as it was not contentious.
(j~~h~~) any additional line items that may be needed to understand the change in the contract assets and contract liabilities ~~net exchange differences arising on the translation of foreign currency amounts into the presentation currency~~.	Consistent with the approach taken in the disclosures for the revenue recognition ED, we have replaced the requirement to disclose 'net exchange differences arising on translation of foreign currency amounts into the presentation currency' with a generic requirement to disclose 'any additional line items that may be needed to understand the change in the contract assets and contract liabilities'.
87A If an insurer applies paragraphs *[relating to the mirroring approach]* to insurance contracts that specify a contractual link to underlying items: (a) the insurer shall disclose the amounts in the financial statements arising from contracts to which the mirroring approach has been applied, and (b) if the insurer discloses the fair value of underlying items that are measured on a basis other than fair value, the insurer shall disclose the	See agenda paper 3C *Presentation and disclosures: Disclosures relating to participating contracts, earned premium presentation and transition.*

Proposed requirement	Staff comment/IASB decisions
extent to which the difference between the fair value and carrying value of underlying assets would be passed to policyholders.	
87B Unless an insurer applies paragraphs 55-60 *[relating to the premium allocation approach for insurance contracts]* to insurance contracts it issues, or a cedant that applies paragraphs 59B and 59C to reinsurance contracts it holds, the insurer shall disclose the following inputs into the determination of revenue recognised in the period: (a) the probability-weighted claims, benefits and expenses expected to be incurred in the period; (b) the acquisition costs allocated in the period; (c) the change in risk adjustment recognised in the period, and (d) the residual margin recognised in the period.	See agenda paper 3C *Presentation and disclosures: Disclosures relating to participating contracts, earned premium presentation and transition.*
87C An insurer should disclose the effect of the insurance contracts initially recognised in the period on amounts recognised in the statement of financial position, showing separately the effect on: (a) the expected present value of future outflows, showing separately the amount of acquisition costs (b) the expected present value of future cash inflows (c) the risk adjustment; (d) the residual margin.	See agenda paper 3C *Presentation and disclosures: Disclosures relating to participating contracts, earned premium presentation and transition.*
87E~~73~~ ~~The~~ An insurer shall disclose changes in ~~estimates of~~ discount rates and the interest on insurance liabilities ~~shall be presented or disclosed~~ in a way that highlights the~~ir~~ relationship between those amounts and ~~with~~ the investment return	Moved from paragraph 73 in the presentation section. We propose to carry forward this requirement as it was not contentious.

Proposed requirement	Staff comment/IASB decisions
on the assets backing those liabilities.	
~~88 For short-duration contracts measured using the measurement described in paragraphs 54–60, an insurer shall disclose the reconciliation required by paragraph 86 separately for:~~ ~~(a) pre-claims liabilities.~~ ~~(b) additional liabilities for onerous insurance contracts.~~ ~~(c) claims liabilities.~~	Superseded by paragraph 86
~~89 For those contracts for which uncertainty about the amount and timing of claims payments is not typically resolved fully within one year, an insurer shall disclose the claims and expenses incurred during the period.~~	At its meeting in September 2012, the board decided to delete the specific disclosure proposed in paragraph 89 of the ED about contracts for which uncertainty about the amount and timing of claims payments is not typically fully resolved within one year.
<u>**Significant judgements in the application of the [draft] IFRS**</u>	
90 <u>An insurer shall disclose the judgements, and changes in the judgements, made in applying this [draft] IFRS that significantly affect the determination of the amount and timing of revenue from insurance contracts. At a minimum,</u> ~~To comply with paragraph 85(b),~~ an insurer shall disclose: (a) for the measurements that have the most material effect on the recognised amounts arising from insurance contracts, the methods used and the processes for estimating the inputs to those methods. When practicable, the insurer shall also provide quantitative information about those inputs.	To align with the equivalent paragraph in the revenue recognition ED, and to provide a lead in to this section.
(b) to the extent not covered in (a), the methods and inputs used to estimate:	
(i) the risk adjustment~~, including information about the confidence level to~~	At their meeting in the week commencing 19 September

Proposed requirement	**Staff comment/IASB decisions**
~~which the risk adjustment corresponds. If the insurer uses a conditional tail expectation technique or a cost of capital technique, it shall disclose the confidence level to which the risk adjustment estimated under those methods corresponds (eg that the risk adjustment was estimated at conditional tail expectation (Y) and corresponds to a confidence level of Z per cent)~~.	2011, the IASB tentatively decide not to limit the range of available techniques and the related inputs to estimate the risk adjustment.
(ii) discount rates. (ii) ~~estimates of~~ policyholder dividends.	
(c) the effect of changes in the methods and inputs used to measure insurance contracts, showing separately the effect of each change that has a material effect on the financial statements, together with an explanation of the reason for the change, identifying the type of contracts affected.	At their meeting in the week commencing 19 September 2011, the boards tentatively decided to require the insurer to disclose separately the effect of each change in inputs and methods, together with an explanation of the reason for the change, including the type of the contracts affected.
~~(d) a measurement uncertainty analysis of the inputs that have a material effect on the measurement. If changing one or more inputs used in the measurement to a different amount that could have reasonably been used in the circumstances would have resulted in a materially higher or lower measurement, the insurer shall disclose the effect of using those different amounts and how it calculated that effect. When preparing a measurement uncertainty analysis, an insurer shall not take into account inputs that are associated with remote scenarios. An insurer shall take into account the effect of correlation between inputs if such correlation is relevant when estimating the effect on the measurement of using those different amounts. For that purpose, materiality shall be judged with respect to profit or loss, and total assets or total liabilities.~~	At their meeting in the week commencing on 19 September 2011, the IASB tentatively decided to delete the proposed requirement in paragraph 90(d) of the ED to disclose a measurement uncertainty analysis and to align that disclosure (in due course) with any similar disclosure for fair value measurements that might result from any future amendment to IFRS 13 *Fair Value Measurement*.
90A If the insurer uses a technique other than confidence level for determining the risk adjustment, the insurer shall translate the result of that technique into a	At their meeting in the week commencing on 19 September 2011, the IASB tentatively decide not to limit the range of

Proposed requirement	Staff comment/IASB decisions
confidence level-(eg that the risk adjustment was estimated using technique Y and corresponds to a confidence level of Z per cent).	available *techniques* and the related inputs to estimate the risk adjustment to retain the confidence level equivalent disclosure that had been proposed in paragraph 90(b)(i) of the ED.
90B An insurer shall disclose the yield curve (or range of yield curves) used to discount cash flows that do not depend on the performance of specified assets	At their meeting in the week commencing on 19 September 2011, the boards tentatively decided for contracts in which the cash flows do not depend on the performance of specified assets (ie non-participating contracts), to require disclosure of the yield curve (or range of yield curves) used.
Nature and extent of risks arising from insurance contracts	
91 An insurer shall disclose information about the nature and extent of risks arising from insurance contracts in sufficient detail to help users of financial statements evaluate the amount, timing and uncertainty of future cash flows arising from insurance contracts.	Confirmed by the Board in September 2012.
92 To comply with paragraph 91, an insurer shall disclose:	Confirmed by the Board in September 2012.
(a) the exposures to risks and how they arise. (b) its objectives, policies and processes for managing risks arising from insurance contracts and the methods used to manage those risks. (c) any changes in (a) or (b) from the previous period.	
(d) information about the effect of ~~the~~ each regulatory framework in which the insurer operates, for example minimum capital requirements or required interest rate guarantees.	
(e) information about insurance risk on a gross and net basis, before and after	

Proposed requirement	Staff comment/IASB decisions
risk mitigation (eg by reinsurance) including information about: (i) the sensitivity to insurance risk in relation to its effect on profit or loss and equity. This shall be disclosed by a sensitivity analysis that shows any material effect on profit or loss and equity that would have resulted from: (A) changes in the relevant risk variable that were reasonably possible at the end of the reporting period; (B) the methods and inputs used in preparing the sensitivity analysis; and (C) any changes from the previous period in the methods and inputs used.	
However, if an insurer uses an alternative method to manage sensitivity to market conditions, such as embedded value or value at risk, it can meet this requirement by disclosing that alternative sensitivity analysis. (ii) concentrations of insurance risk, including a description of how management determines concentrations and a description of the shared characteristic that identifies each concentration (eg type of insured event, geographical area or currency). Concentrations of insurance risk can arise if an insurer has, for example: (A) underwritten risks concentrated in one geographical area or one industry. (B) underwritten risks that are also present in its investment portfolio, for example if an insurer provides product liability protection to pharmaceutical companies and also holds investments in those companies.	
(iii) actual claims compared with previous estimates of the undiscounted amount of the claims (ie claims development). The	

Proposed requirement	Staff comment/IASB decisions
disclosure about claims development shall go back to the period when the earliest material claim(s) arose for which there is uncertainty about the amount and timing of the claims payments, but need not go back more than ten years. An insurer need not disclose information about the development of claims for which uncertainty about the amount and timing of claims payments is typically resolved within one year. An insurer shall reconcile the disclosure about claims development with the carrying amount of the insurance contract liabilities ~~recognised in the statement of financial position~~.	
93 For each type of risk, other than insurance risk, arising from insurance contracts, an insurer shall disclose: (a) summary quantitative information about its exposure to that risk at the end of the reporting period. This disclosure shall be based on the information provided internally to the key management personnel of the insurer and shall provide information about the risk management techniques and methodologies applied by the insurer. (b) concentrations of risk if not apparent from other disclosures. Such concentrations can arise from, for example, interest rate guarantees that come into effect at the same level for an entire book of business.	Confirmed by the Board in September 2012.
94 With regard to credit risk arising from reinsurance contracts and, if applicable, other insurance contracts, an insurer shall disclose: (a) the amount that best represents its maximum exposure to credit risk at the end of the reporting period. (b) information about the credit quality of reinsurance assets.	Confirmed by the Board in September 2012.

Proposed requirement	Staff comment/IASB decisions
95 With regard to liquidity risk, an insurer shall disclose:	
(a) ~~either~~ a maturity analysis that shows, at a minimum, the ~~remaining contractual maturities or information about the estimated timing of~~ the expected net cash outflows resulting from recognised insurance liabilities for each of the first five years after the reporting date and in aggregate beyond five years. This may take the form of an analysis, by estimated timing, of the amounts recognised in the statement of financial position.[2] (b) a description of how it manages the liquidity risk resulting from its insurance liabilities.	At their meeting in the week commencing on 19 September 2011, the boards tentatively decided to require the maturity analysis of net cash outflows resulting from recognised insurance liabilities proposed in paragraph 95(a) of the ED to be based on expected maturities and remove the option to base maturity analysis on remaining contractual maturities. Furthermore, within the context of time bands, to require the insurer to disclose, at a minimum, the expected maturities on an annual basis for the first five years and in aggregate for maturities beyond five years.
(c) amounts payable on demand, in a way that highlights the relationship between such amounts and the carrying amount of the related contracts.	In March 2012, the IASB tentatively decided that insurers should disclose the amounts payable on demand. In September 2012, the IASB tentatively decided that this disclosure should highlight the relationship between such amounts and the carrying amount of related contracts.
96 With regard to market risk (as defined in IFRS 7) an insurer shall disclose: (a) a sensitivity analysis for each type of market risk to which the insurer is exposed at the end of the reporting period, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date; if an insurer uses an alternative method to manage sensitivity to market conditions, such as an embedded value analysis, or a sensitivity analysis, such as value at risk, that reflects	Confirmed by the Board in September 2012.

[2] In place of this disclosure, the FASB would rely on its tentative decisions relating to risk disclosures for financial institutions. These disclosures would apply to insurance entities.

Proposed requirement	Staff comment/IASB decisions
interdependencies between risk variables and uses it to manage *financial risks*, it may use that sensitivity analysis to meet this requirement. (b) an explanation of the methods and main inputs used in preparing the sensitivity analysis. (c) an explanation of the objective of the methods used and of limitations that may result in the information not fully reflecting the carrying amount of the insurance contracts involved. (d) changes from the previous period in the methods and inputs used and the reasons for such changes. (e) information about exposures to market risk arising from embedded derivatives contained in a host insurance contract, including information about the levels at which these exposures begin to have a material effect on the insurers cash flows.	
97 If the quantitative information about the insurer's exposure to risk at the end of the reporting period is not representative of its exposure to risk during the period, it shall disclose that fact, the reasons for those conclusions and shall provide further information that is representative of the exposure during the period.	Confirmed by the Board in September 2012.

Appendix

This appendix illustrates how the tentative decisions and recommendations for the presentation of insurance contracts in the financial statements and the reconciliations of the balances presented in the statement of financial position and statement of comprehensive income might be applied. The references (on the right side) are to the paragraph numbers of the draft presented in this paper.

	notes	2010	2009	paragraph
Statement of financial position				
Assets				
Reinsurance assets	1	12,900	9,115	par 70
Financial instruments		495,378	413,958	
Cash and cash equivalents		-103,030	-26,243	
Total assets		**392,348**	**387,715**	
Equity and liabilities				
Issued share capital		98,547	98,547	
Other reserves		-2,021	10,210	
Retained earnings		33,964	19,198	
Total equity		**130,490**	**127,956**	
Liabilities				
Insurance contract liabilities	1	130,526	106,872	par 69
Borrowings		75,475	76,428	
Trade and other payables		55,858	76,459	
Total liabilities		**261,859**	**259,759**	
Total equity and liabilities		**392,348**	**387,715**	

		2010	2009	paragraph
Statement of comprehensive income (SOCI)				
Insurance contract revenue	2	72,916	98,931	IAS1 and par 71A-B
Insurance contract revenue ceded to reinsurers	2	-9,301	-9,893	par 71A-B, 77
Net insurance contract revenue		**63,615**	**89,038**	
Other operating revenue		1,765	3,743	
Total revenue		**65,380**	**92,781**	
Claims incurred	3a	-40,801	-59,040	par 71B
Claims ceded to reinsurers	3a	6,266	5,904	par 71B, 77
Change in estimates related to insurance contracts	1a	-5,207	-11,207	
Change in estimates related to reinsurance contracts	1a	521	1,121	
Other direct expenses	1a	7,648	-7,654	
Direct expenses		**-31,573**	**-70,876**	
Administrative expenses		-15,643	-13,965	
Total expenses		**-47,216**	**-84,841**	
Underwriting result		**18,164**	**7,940**	
Investment income		11,875	16,875	
Finance expenses	4	-11,810	-13,458	IAS1 and par 76
Investment result		**65**	**3,417**	
Profit before tax		**18,229**	**11,356**	
Income tax expense		-3,464	-2,158	
Profit for the year		**14,766**	**9,198**	

Other comprehensive income				
Change in insurance liability resulted from changes in discount rate	1a	-8,392	18,963	par 76A
Change in reinsurance assets resulted from changes in discount rate	1a	839	-748	par 76A, 77
Changes in financial assets resulted from changes in discount rate		-7,548	-7,643	
Deferred tax		2,869	-2,009	
Other comprehensive income net of tax		**-12,232**	**8,563**	
Total comprehensive income net of tax		**2,534**	**17,762**	

Notes to the Financial Statement — paragraph

1 Insurance and reinsurance contracts reconciliation

1a Reconciliation showing income and expenses presented in statement of comprehensive income

par 86, 86A

	Notes	Insurance contracts				Reinsurance contracts					paragraph
		Liability for remaining coverage	Liability for changes in estimates	Liability for incurred claims	Total insurance contracts	Expected recovery of liability for remaining coverage	Expected recovery of liability for changes in estimates	Expected recovery of liability for incurred claims	Total ceded reinsurance	Insurance contracts net of reinsurance	
At 1 January		89,815	9,918	7,139	106,872	-8,981	580	-714	-9,115	97,757	
Changes recognised in profit or loss											
Premiums earned or repaid	2	-83,557			-83,557	8,356			8,356	-75,201	
Acquisition costs amortised	SOCI	-7,648			-7,648					-7,648	
Accretion of interest	4	4,491		4,438	8,929	-449		-444	-893	8,036	
Claims incurred	3a			53,207	53,207			-5,321	-5,321	47,886	
Change in assumptions related to claims incurred	3a			1,765	1,765			-177	-177	1,589	
Change in assumptions related to cash flows	SOCI		-5,207		-5,207		521		521	-4,686	
Changes recognised in OCI											
Changes in discount rate	SOCI	-7,647		-745	-8,392	765		75	839	-7,553	
Cash flows											
Premiums received/paid		117,652			117,652	-11,765			-11,765	105,887	par 87
Claims paid/reimbursed				-46,547	-46,547			4,655	4,655	-41,892	par 87
Acquisition costs paid		-6,548			-6,548					-6,548	
At 31 December		106,558	4,711	19,257	130,526	-12,075	1,100	-1,926	-12,900	117,626	

1b Reconciliation showing information about changes in risk adjustment and residual margin

par 86B-C

		Insurance contracts				Reinsurance contracts					
		Present value of expected cash flows	Risk adjustment	Residual margin	Total insurance contracts	Present value of expected cash flows	Risk adjustment	Residual margin	Total ceded reinsurance	Insurance contracts net of reinsurance	
At 1 January		73,434	5,075	28,363	106,872	-7,343	-508	-1,264	-9,115	97,757	
Changes recognised in profit or loss											
Release		-7,648	-5,234	-9,757	-22,639		523	976	1,499	-21,140	
Experience adjustment		-7,711			-7,711	1,536			1,536	-6,175	
Changes in estimates		3,452		-1,687	1,765	-345		169	-177	1,589	
Accretion of interest		8,929			8,929				-893	8,036	
Changes recognised in OCI											
Changes in discount rate	1a	-8,392			-8,392	839			839	-7,553	
New contracts											par 87C
Expected premiums		-91,041			-91,041	-9104			-9,104	-100,145	
Expected claims and margin*		76,496	5,787	8,758	91,041	7650	579	876	9,104	100,145	
Cash flows											
Premiums received/paid	1a	117,652			117,652	-11,765			-11,765	105,887	par 87
Claims paid/reimbursed	1a	-46,547			-46,547	-12,420	0	17,075	4,655	-41,892	par 87
Acquisition costs paid	1a	-6,548			-6,548					-6,548	
At 31 December		112,076	5,628	12,822	130,526	-30,953	595	17,458	-12,900	117,626	

* The present value of expected acquisition costs for contracts written in the period equals to 7,765 par 87C

2 Insurance contracts revenue

IAS1

2a Reconciliation of premiums to insurance revenue

	Insurance contracts			Reinsurance contracts			
Notes	Premiums earned or repaid	Deposit component	Insurance contracts revenue	Premiums earned or repaid ceded	Deposit component	Insurance contracts revenue ceded to reinsurers	Net insurance contracts revenue
1a	83,557	-10,641	72,916	-8,356	-945	-9,301	63,615

2b Inputs to the determination of the revenue

par 87B

		Present value of expected cash flows excluding acquisition costs	Amortisation of acquisition costs	Risk adjustment released	Residual margin released	Total
Insurance contracts revenue	2a	65,573	-7,648	5,234	9,757	72,916
Insurance contracts revenue ceded to reinsurers	2a	-7,802		-523	-976	-9,301
Net insurance contracts revenue		57,771	-7,648	4,711	8,781	63,615

3 Claims incurred

par 71B

3a Claims incurred

		Insurance contracts			Reinsurance contracts			
	Notes	Claims incurred	Deposit component	Claims for insurance	Claims incurred	Deposit component	Claims for insurance	Claims incurred net of reinsurance
Claims incurred for the period	1a	-53,207	10,641	-42,566	5,321	945	6,266	-36,300
Changes in estimates related to claims incurred in previous period	1a	1,765		1,765	-177			1,765
Claims incurred		-51,442	10,641	-40,801	5,144	945	6,266	-34,535

3b Claims development table

par 92e (iii)

	Notes	Underwriting year 2006	2007	2008	2009	2010	Total
At end of current year		49,141	77,322	57,898	58,302	97,404	
One year later		51,728	70,293	58,149	55,698		
Two years later		47,025	68,730	56,587			
Three years later		45,984	67,689				
Four years later		45,463					
Estimate of cumulative claims		45,463	67,689	56,587	55,698	97,404	322,841
Cumulative payments		-45,463	-47,382	-28,294	-16,709	0	-137,848
Expected cash outflows		0	20,307	28,294	38,989	97,404	184,993
Effect of discounting							-5,379
Present value of expected cash outflows							179,614
Present value of expected cash inflows							-67,538
Present value of cash flows	1b						112,076

4 Finance expense

IAS1, par 76

	Notes	
Interest on insurance	1a	8,929
Interest on reinsurance contracts	1a	-893
Interest on borrowings		3,774
Finance expense		11,810