

STAFF PAPER

18 February – 22 February 2013

IASB Meeting

Project	Insurance contracts		
Paper topic	Cover note		
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This paper has been prepared by the staff of the IFRS Foundation for discussion at a public meeting of the IASB and does not represent the views of the IASB or any individual member of the IASB. Comments on the application of IFRSs do not purport to set out acceptable or unacceptable application of IFRSs. Technical decisions are made in public and reported in IASB *Update*.

- At this meeting the IASB will complete the planned technical decisions needed to finalise its revised Exposure Draft on insurance contracts. The IASB will also be asked for permission to ballot a revised Exposure Draft on Insurance Contracts.

The staff presents the following papers, which are described below:

- Agenda paper 2A *Permission to ballot a targeted revised Exposure Draft on accounting for insurance contracts*
- Agenda paper 2B *Overview of the Board's proposals*
- Agenda paper 2C *Comparison of the IASB's tentative decisions to the comment letter summary*
- Agenda paper 2D *Summary of comment letters on the IASB ED Insurance Contracts* [reproduced from the January 2011 meeting]
- Agenda paper 2E *Transition for contracts acquired through a business combination*

Agenda paper 2A *Permission to ballot a targeted revised Exposure Draft on accounting for insurance contracts*

- Agenda paper 2A *Permission to ballot a targeted revised Exposure Draft on accounting for insurance contracts*:
 - requests permission to begin the balloting process for a targeted revised Exposure Draft on accounting for insurance contracts;

- (b) asks whether any IASB member intends to dissent to the publication of the revised Exposure Draft; and
 - (c) recommends a comment period of 120 days.
3. To assist the IASB in these decisions, the paper includes the following appendices:
- (a) Appendix A sets forth the need for a separate standard on insurance contracts.
 - (b) Appendix B reviews the history of the project and describes the due process the IASB has undertaken in developing the proposals for accounting for insurance contracts.
 - (c) Appendix C shows how the IASB has adhered to the protocol for development of an Exposure Draft as set out in the IFRS Foundation Due Process Handbook, which the IFRS Foundation Trustees approved in January 2013.
4. Agenda papers 2B, 2C and 2D also provide supporting material for the questions to the Board.

Agenda paper 2B Overview of the Board's proposals

- 5. Agenda paper 2B *Overview of the Board's proposals* provides an overview of the IASB's proposed model for accounting for insurance contracts.
- 6. No decisions are required.

Agenda paper 2C Comparison of the IASB's tentative decisions to the comment letter summary

- 7. Agenda paper 2C *Comparison of the IASB's tentative decisions to the comment letter summary* describes the ways in which the IASB has addressed major comments from respondents to the 2010 Exposure Draft *Insurance Contracts*, as highlighted in the IASB staff's summary of comment letters set out in AP3E

Summary of comment letters on the IASB ED Insurance Contracts for the January 2011 meeting.

8. This paper also evaluates the IASB's decisions against the axioms and assumptions set out in Agenda paper 3A *Project assumptions* for the February 2011 meeting.
9. No decisions are required.

Agenda paper 2D Summary of comment letters on the IASB's ED *Insurance Contracts*

10. Agenda paper 2D *Summary of comment letters on the IASB's ED Insurance Contracts* reproduces, without modification, AP3E *Summary of comment letters on the IASB's ED* from the January 2011 meeting.
11. No decisions are required.

Agenda paper 2E Transition for contracts acquired through a business combination

12. Agenda paper 2E *Transition for contracts acquired through a business combination* asks the IASB to determine how to account for insurance contracts that were acquired through a business combination on transition.
13. The staff recommend that:
 - (a) in applying the transition requirements for insurance contracts, an insurer should account for the in-force contracts that were previously acquired through a business combination using:
 - (i) the date of the business combination as the date of inception of those contracts; and
 - (ii) the fair value of those contracts at the date of the business combination as the premium received.
 - (b) when an insurer first applies the forthcoming insurance contracts Standard to insurance contracts previously acquired through a business

combination, any gains or losses should adjust retained earnings (rather than goodwill).