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**International  
Accounting Standards  
Board**

*This document is provided as a convenience to observers at IASB meetings, to assist them in following the Board's discussion. It does not represent an official position of the IASB. Board positions are set out in Standards.*  
*These notes are based on the staff papers prepared for the IASB. Paragraph numbers correspond to paragraph numbers used in the IASB papers. However, because these notes are less detailed, some paragraph numbers are not used.*

## **INFORMATION FOR OBSERVERS**

**Board Meeting:** February 2008, London  
**Project:** Insurance Contracts  
**Subject:** Project plan (Agenda paper 2D)

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### **Purpose of this paper**

1. This paper includes an initial timetable for the Board's discussion over the next few months.

### **Comments**

2. Some respondents asked the Board to conduct roundtables at this stage. The Due Process Handbook (i) states that the Board often considers holding roundtables or other public hearings and (ii) requires the Board to state its reasons if it decides not to hold roundtables or other public hearings. In the staff's view, it is not necessary to hold a roundtable or public hearing at this stage of the project. The Insurance Working Group contains members from a wide range of backgrounds and with a wide range of views. Roundtables or public hearings would be unlikely to provide significant additional input.
3. Many respondents asked the Board to carry out field tests. At this stage, the staff is considering whether there are opportunities to carry out targeted field testing on specific issues, using information that is already available, or obtainable reasonably easily. The

timetable does not yet allocate time for the Board to consider reports back from such testing, if any.

4. Some respondents suggest that the Board should identify cross-cutting issues that affect, or are affected by, other projects, and consider prioritising those issues, perhaps with separate, early exposure of those issues for public comment. The attached timetable does not envisage any exposure for public comment until the entire exposure draft is ready.
5. The timetable does not allocate any time for Board education sessions.
6. This is a 'modified joint project' and not currently on the FASB's agenda. The FASB has indicated that it intends to take an agenda decision in the third quarter of 2008. The timetable does not consider any delay that could occur if the FASB takes the project onto its agenda. Furthermore, if all issues are resolved at the first discussion and in line with the timetable, the Board will have reached several significant conclusions before the FASB takes the project onto its agenda.
7. The timetable assumes that all issues will be resolved at the first attempt, with no follow up needed. The timetable identifies the issues that the staff plans to bring to the Board at each meeting. The staff expects to bring the first package of issues (for 'meeting 1') to the Board in April or May. Bringing the subsequent issues to each successive Board meeting would commit significant Board time, as well as staff preparation time, for several months in a row. Because this would probably not be realistic, the timetable indicates the planned sequencing of the issues, but does not forecast the timing of the Board's discussion.

### **Questions for the Board**

8. **Do you agree that a roundtable or public hearing is not needed at this stage of the project?**
9. **Do you have any comments on the timetable?**

## Appendix

### Timetable for Board discussion

<i>Topic</i>	<i>Timing</i>
Insurance Working Group meeting	1-2 April 2008
<b>Margins and revenue recognition</b> <ul style="list-style-type: none"><li>• Is the risk margin (a) the cost of bearing risk or (b) required compensation for bearing risk?</li><li>• Should there be a service margin? If so, what is its objective?</li><li>• Are day 1 profits possible in a competitive market?</li><li>• If day 1 profits occur, how should they be treated?</li><li>• How does the release from risk affect the insurer's reported performance?</li><li>• Are premiums revenue or deposits?</li><li>• If premiums are revenue, when should an insurer recognise the portion of the premium from which it recovers acquisition costs?</li><li>• How would (a) the customer consideration approach and (b) IAS 18 <i>Revenue</i> deal with the issues discussed at this meeting?</li><li>• Should insurance contracts be viewed as financial instruments, service contracts or something else?</li><li>• Illustrate these issues with simple examples (single-premium life and annuity contracts, non-participating, no separate service provided, no difference between entity-specific and market-participant cash flows)</li></ul> Other relevant projects: revenue recognition, fair value measurements, concepts (measurement)	Meeting 1

<i>Topic</i>	<i>Timing</i>
<p><b>Measurement attribute / entity-specific cash flows</b></p> <ul style="list-style-type: none"> <li>• When could entity-specific cash flows differ from market-participant cash flows?</li> <li>• Should liability measurement include (a) estimated entity-specific cash flows? (b) estimated market-participant cash flows? What does the resulting liability measurement represent and how does it affect reported performance?</li> <li>• What measurement attribute (if any) corresponds best to the ‘settlement’ notion advocated by many respondents? How does that measurement attribute differ from current exit value as described in the discussion paper?</li> <li>• Should the Board consider any other candidate measurement attributes? For example, is current entry value a viable candidate?</li> <li>• Does current exit value differ from fair value? [may need to wait until FVM is more advanced]</li> <li>• Illustrate these issues with simple examples (single-premium life and annuity contracts, non-participating, no separate service provided, no difference between entity-specific and market-participant cash flows)</li> </ul> <p>Other relevant projects: concepts (measurement), fair value measurements, non-financial liabilities (IAS 37), revenue recognition</p>	Meeting 2
<p><b>Unit of recognition</b></p> <ul style="list-style-type: none"> <li>• What is recognised, the whole contract or individual rights and obligations that separately meet the definitions of assets and liabilities?</li> <li>• Implications for future premiums and other aspects of policyholder behaviour.</li> <li>• Implications for participating insurance contracts and participating investment contracts.</li> <li>• Is unbundling appropriate?</li> </ul> <p>Other relevant projects: concepts (unit of account, measurement, elements, recognition), liabilities and equity, financial instruments, revenue recognition, leases, pensions</p>	Meeting 2

<i>Topic</i>	<i>Timing</i>
<p><b>Changes in circumstances</b></p> <ul style="list-style-type: none"> <li>• How should an insurer account for changes in (a) cash flow estimates (b) discount rates (c) margins?</li> <li>• How should changes in insurance liabilities be disaggregated?</li> <li>• Should some income taxes be reported as taxes on policyholders, rather than as taxes on the insurer?</li> <li>• Should any changes be made to the measurement attribute of assets held to back insurance contracts? (see separate discussion for participating, unit-linked and index-linked contracts).</li> </ul> <p>Other relevant projects: presentation of financial statements, revenue recognition, concepts (unit of account), pensions</p>	Meeting 3
<p><b>Disaggregation of changes in insurance liabilities</b></p> <ul style="list-style-type: none"> <li>• How should changes in insurance liabilities be reported?</li> </ul> <p>Other relevant projects: presentation of financial statements, revenue recognition, pensions</p>	Meeting 3
<p><b>Future premiums and policyholder behaviour</b></p> <ul style="list-style-type: none"> <li>• If the unit of recognition is individual rights and obligations: is the guaranteed insurability test appropriate?</li> <li>• If the unit of recognition is the whole contract: where is the boundary between existing contracts and new contracts?</li> </ul> <p>Other relevant projects: revenue recognition, financial instruments, leases, concepts (elements, recognition)</p>	Meeting 4
<p><b>Policyholder participation - classification</b></p> <ul style="list-style-type: none"> <li>• If the unit of recognition is individual rights and obligations: when should participation features be classified as equity and when should they be classified as liabilities? How should participation features be reported in the statements of financial position, financial performance and cash flows?</li> <li>• Are there any specific issues for mutuals?</li> </ul> <p>Other relevant projects: concepts (elements, recognition), liabilities and equity</p>	Meeting 4

<i>Topic</i>	<i>Timing</i>
<p><b>Margins</b></p> <ul style="list-style-type: none"> <li>• What guidance should the Board give on measuring margins?</li> <li>• Should diversification and correlations between insurance portfolios affect their measurement?</li> </ul> <p>Other relevant projects: concepts (measurement, unit of account), fair value measurements, revenue recognition</p>	Meeting 4
<p><b>Measurement attribute</b></p> <ul style="list-style-type: none"> <li>• What attribute should be used for: <ul style="list-style-type: none"> <li>○ non-life insurance pre-claims liabilities?</li> <li>○ non-life claims liabilities?</li> <li>○ other insurance liabilities?</li> <li>○ reinsurance liabilities</li> <li>○ reinsurance assets</li> <li>○ insurance assets of policyholders</li> </ul> </li> <li>• Should the credit characteristics of insurance liabilities affect their measurement?</li> <li>• For reinsurance assets, should an expected loss or an incurred loss model be used?</li> </ul> <p>Other relevant projects: concepts (measurement), fair value measurement, non-financial liabilities (IAS 37), revenue recognition</p>	Meeting 5
<p><b>Inconsistencies with IAS 39 and IAS 18</b></p> <ul style="list-style-type: none"> <li>○ For some or all financial liabilities and investment management contracts, should the Board eliminate some or all inconsistencies between the insurance contracts model and the models in IAS 39 and IAS 18?</li> </ul> <p>Other relevant projects: revenue recognition, financial instruments</p>	Meeting 5

<i>Topic</i>	<i>Timing</i>
<p><b>Policyholder accounting – initial review</b></p> <ul style="list-style-type: none"> <li>• Initial review of whether the same measurement attribute is appropriate for policyholders as insurers.</li> <li>• If the same measurement attribute is appropriate, consider whether practical shortcuts are needed.</li> </ul> <p>Other relevant projects: concepts (measurement, unit of account), fair value measurements, non-financial liabilities (IAS 37)</p>	Meeting 5
<p><b>Policyholder participation - measurement</b></p> <ul style="list-style-type: none"> <li>• Consider specific measurement issues for participation features.</li> <li>• Do we need to amend the IFRS 4 definition of a discretionary participation feature (DPF)?</li> <li>• Should investment contracts with a DPF be in the scope of the insurance standard or IAS 39?</li> <li>• Are there any specific issues for mutuals?</li> </ul> <p>Other relevant projects: concepts (measurement), fair value measurements, financial instruments, liabilities and equity</p>	Meeting 6
<p><b>Participating, unit-linked and index-linked insurance contracts and investment contracts and universal life contracts</b></p> <ul style="list-style-type: none"> <li>○ Should accounting mismatches be eliminated? If so, how?</li> <li>○ If assets are held in separate funds, are they part of the reporting entity?</li> <li>○ If policyholders bear part or all of the investment risk, how should this affect presentation and disclosure?</li> </ul> <p>Other relevant projects: concepts (unit of account), financial instruments, consolidation, concepts (reporting entity)</p>	Meeting 6

<i>Topic</i>	<i>Timing</i>
<p><b>Recognition</b></p> <ul style="list-style-type: none"> <li>○ When should an insurer recognise an insurance liability?</li> <li>○ When should a cedant recognise reinsurance assets, especially if the underlying direct contracts have a different coverage period?</li> <li>○ When should an insurer derecognise insurance liabilities and reinsurance assets?</li> </ul> <p>Other relevant projects: concepts (recognition and derecognition), derecognition, revenue recognition</p>	Meeting 7
<p><b>Definition and scope</b></p> <ul style="list-style-type: none"> <li>● Should the IFRS 4 definition of an insurance contract change?</li> <li>● Financial guarantee contracts</li> <li>● Should existing scope exclusions continue? Should new scope exclusions be added?</li> <li>● Catastrophe bonds and alternative risk transfer</li> </ul> <p>Other relevant projects: financial instruments, revenue recognition, pensions</p>	Meeting 7
<p><b>Disclosure</b></p> <ul style="list-style-type: none"> <li>● What disclosures should be required?</li> </ul> <p>Other relevant projects: presentation of financial statements</p>	Meeting 8
<p><b>Other issues on the building blocks</b></p> <ul style="list-style-type: none"> <li>● Is more guidance needed on discount rates?</li> <li>● Guarantee fund assessments</li> <li>● Tax issues</li> <li>● Salvage and subrogation</li> </ul> <p>Other relevant projects: non-financial liabilities (IAS 37), income taxes, fair value measurements</p>	Meeting 8



<i>Topic</i>	<i>Timing</i>
<p><b>Minor issues</b></p> <ul style="list-style-type: none"> <li>• Insurance contracts acquired in business combinations and portfolio transfers</li> <li>• Interim reporting</li> <li>• Transition, including transition for assets backing insurance contracts.</li> <li>• Consequential amendments</li> </ul> <p>Other relevant projects: presentation of financial statements</p>	Meeting 8
<p><b>Policyholder accounting – follow up</b></p> <ul style="list-style-type: none"> <li>• Review initial conclusions on policyholder accounting</li> </ul> <p>Other relevant projects: non-financial liabilities (IAS 37)</p>	Meeting 8
<p><b>Drafting and balloting</b></p>	To be determined