

Insurance Contracts (phase II)

Topics covered in Board education sessions

Latest revision: 31 October 2008

1. Since the Board restarted phase II of the project on insurance contracts in mid 2004, many of the Board's discussions of this project have been in educational sessions, at which no decisions were taken. These sessions have covered the following topics.
 - (a) General educational material on insurance contracts and current accounting models for insurance contracts (July and September 2004)
 - (b) Methods for estimating non-life claims liabilities (January 2005, led by representatives of the International Actuarial Association)
 - (c) Measurement of non-life claims liabilities, focusing on discounting and risk margins (led in February 2005 by representatives of the Casualty Actuarial Society, General Insurance Association of Japan and Group of North American Insurance Enterprises and in April 2005 by Australian and Canadian members of the Insurance Working Group: Tony Coleman of Insurance Australia Group and Phil Arthur of Ernst & Young).
 - (d) Introduction to life insurance (led in July 2005 by representatives of KPMG).
 - (e) Update on FASB activities related to insurance accounting, focusing on risk transfer in insurance and reinsurance contracts (led in July 2005 by the FASB staff).
 - (f) Continuation, cancellation and renewal options in insurance contracts (led in October 2005 by auditor members of the Insurance Working Group: Phil Arthur of Ernst & Young and Hitesh Patel of KPMG).
 - (g) Participating insurance contracts (led in December 2005 by representatives of the International Actuarial Association).
 - (h) Observations of the International Association of Insurance Supervisors (IAIS) on issues arising as a result of the IASB's insurance contracts project, an update on the Solvency 2 project in the European Union and an update on activities of the International Actuarial Association (IAA) to support the development of approaches for financial reporting and solvency (led in June 2006 by representatives of the IAIS, the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS) and the IAA).
 - (i) Briefing in September 2006 by representatives of the CFO Forum, the Group of North American Insurance Enterprises and four major Japanese life insurers on recommendations those organisations had made for the accounting model for insurance contracts.
 - (j) Briefing in January 2008 from representatives of Ernst & Young on a report performed by Ernst & Young at the request of the Group of North American Insurance Enterprises. The report examines one approach to determining margins (the cost of capital method) in two specific contexts:
 - General purpose financial reporting purposes
 - Regulatory capital standards

- (k) Overview in February 2008 by staff of two issues that were identified in many responses to the discussion paper *Preliminary Views on Insurance Contracts*.
- Accounting for insurance contracts as a whole rather than for the separate rights and obligations that the contracts create.
 - Incorporating in the measurement of insurance contracts the notion of settlement with the policyholder over the life of the contract.
- (l) Overview in September 2008 by staff of similarities and differences between a settlement or fulfilment notion and current exit value.
- (m) Overview in October 2008 by staff of measurement approaches that are possible candidates to be applied to insurance contracts.