

## Welcome to IASB Update

The IASB met in public over five days, starting on Monday 20 March 2012. The FASB joined the IASB for some of the sessions via video from its offices in Norwalk.

The topic for discussion at the joint IASB/FASB meeting was:

- Insurance contracts

The topics discussed at the IASB meeting were:

- Effective dates and transition methods
- Insurance contracts: education session
- Macro hedge accounting
- Post-implementation review of IFRS 8
- Review of efficiency and effectiveness of the IFRS Interpretations Committee
- Work plan

### Contact us

**International Accounting Standards Board**  
30 Cannon Street  
London EC4M 6XH  
United Kingdom

Tel: +44 (0)20 7246 6410

Fax: +44 (0)20 7246 6411

E-mail: [info@ifrs.org](mailto:info@ifrs.org)

Website: [www.ifrs.org](http://www.ifrs.org)

### Future Board meetings

The IASB meets at least once a month for up to five days.

The next Board meetings in 2012 are:

11-13 April (Education)

**16-20 April**

17-18 May (Education)

**21-25 May**

To see all Board meetings for 2012, [click here](#).

### Archive of IASB Update Newsletter

[Click here](#) for archived copies of past issues of IASB *Update* on the IASB website.

### Podcast summaries

To listen to a short Board meeting audio summary (podcast) of

## IASB/FASB sessions

### Insurance contracts

The IASB and FASB continued their discussions on insurance contracts by considering the unit of account and separation of investment components from the insurance contract.

#### Unit of account

The IASB tentatively decided that:

- a. A portfolio of insurance contracts should be defined as contracts that are:
  - i. subject to similar risks and priced similarly relative to the risk taken on; and
  - ii. managed together as a single pool.
- b. The unit of account used to **determine** the residual margin and perform the onerous test should be the portfolio.
- c. The unit of account used to **release** the residual margin should not be prescribed. However, the release of the residual margin should be performed in a manner consistent with the objective of releasing the residual margin over the coverage period to the period(s) in which the service is provided.

Nine IASB members supported these decisions and five opposed them.

The FASB tentatively decided that:

- a. a portfolio of insurance contracts should be defined as contracts that are:
  - i. subject to similar risks and priced similarly relative to the risk taken on; and
  - ii. have similar duration and similar expected patterns of release of the single margin.
- b. the unit of account used to **determine** and **release** the single margin, and perform the onerous contract test should be the portfolio.

All FASB members agreed with these decisions.

#### Separation of investment components from the insurance contract

The IASB and FASB tentatively decided that:

- a. an investment component in an insurance contract is an amount that the insurer is obligated to pay the policyholder or a beneficiary regardless of whether an insured event occurs.  
Nine IASB members and all FASB members supported this decision and five IASB members opposed it.
- b. In the statement of financial position, insurers should not be required to present investment components separately from the insurance contract. However insurers should disclose both:
  - i. the portion of the insurance contract liability that represents the aggregated portions of premiums received (and claims / benefits paid) that were excluded from the statement of comprehensive income; and
  - ii. the amounts payable on demand.

Eleven IASB members and four FASB members agreed with these decisions and three IASB members and three FASB members opposed it.

In addition, 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 that 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.

Twelve IASB members supported this decision and two opposed it. The FASB did not vote on this issue.

Both boards directed the staff to consider whether any investment components (as defined) are sufficiently distinct from the insurance component that they should be recognised separately and measured applying the financial instrument standard, rather than the insurance contracts standard.

#### *Next steps*

Both boards will continue their discussion on insurance contracts in the week commencing 16 April 2012.

## **IASB sessions**

### **Effective dates and transition methods**

The IASB discussed disclosures:

- a. about the possible impact of new IFRSs before they are effective; and
- b. about the effect of changes in accounting policy.

The Board directed the staff to do further analysis on the issues mentioned. No decisions were made.

### **Insurance contracts: education session**

The IASB continued its discussions on its insurance contracts project with an education session to discuss whether some components of the insurance contracts liability could be presented in other comprehensive income, how to identify such components and whether amounts presented in other comprehensive income should be subject to a loss recognition test. No decisions were made.

The IASB will continue its discussions jointly with the FASB on 21 March 2012, on the topics of disaggregating investment components in insurance contracts and the definition of a portfolio.

### **Macro hedge accounting**

As part of the deliberations on macro hedge accounting, an overview of information required to understand the valuation of the risk position when based on a common risk management approach for interest rate risk was discussed. Furthermore, an analysis was provided regarding how a net valuation approach for macro hedging can be applied to core demand deposits.

The IASB also discussed approaches used in practice for setting transfer prices and potential implications for using transfer prices in revaluing a hedged interest rate risk position for accounting purposes.

The Board did not make any decisions.

## Post-implementation review of IFRS 8

The IASB discussed the planned approach for the post-implementation review of IFRS 8 *Operating Segments*.

The Board's *Due Process Handbook* defines the post-implementation review process as one that looks at contentious issues and includes a consideration of implementation issues and unexpected costs. The Board agreed with the staff recommendation that the review of IFRS 8 should also include investigating whether IFRS 8 had been effective at achieving its objectives of convergence with US GAAP and improving financial reporting. The vote was unanimous.

The Board also discussed the staff proposal that the investigation phase of the post-implementation review of IFRS 8 should include a public consultation process. The Board accepted the staff's recommendation that the transparency of the review process should be increased through soliciting comment letters in response to a *Request for Views* published by the Board. The vote was unanimous.

The Board plans to discuss the post-implementation review of IFRS 8 at its May meeting when it will consider the topics for inclusion in the *Request for Views*.

## Review of efficiency and effectiveness of the IFRS Interpretations Committee

The Board considered the results of feedback received from constituents as part of the Trustees' review of the efficiency and effectiveness of the IFRS Interpretations Committee and the Committee's proposed responses to the findings. The Board discussed proposed revised agenda criteria for the Interpretations Committee and agreed with the proposed revisions [all Board members agreed]. The Board suggested supplementing the criteria with a statement of the overall objective of the Interpretations Committee. The proposed revisions to the Committee's agenda criteria, along with the comments from the Board and from the Committee, will be presented to the Trustees in April 2012.

## Work plan

The work plan reflecting decisions made at this meeting will be updated on the IASB website in the week beginning 26 March 2012. There are no changes to planned milestones. Changes will be made to reflect the completion of the comment periods.

Note that the information published in this newsletter originates from various sources and is accurate to the best of our knowledge. However, the International Accounting Standards Board and the IFRS Foundation do not accept responsibility for loss caused to any person who acts or refrains from acting in reliance on the material in this publication, whether such loss is caused by negligence or otherwise.