

## IASB and FASB Joint Project on Insurance Contracts Summary of Developments During the First Quarter of 2010

In December, I reported that the IASB and FASB had agreed on a measurement objective. Quoting myself, I said “This is progress.” At that time, I was optimistic that they would meet their revised deadline of having an exposure draft ready for publication in April and that by today we would have a good idea of what would be in the exposure draft.

I was overly optimistic. The two boards have met together numerous times in the past 3 months, and they have discussed several topics. Many of these topics remain unresolved. The biggest news from my viewpoint is that the measurement objective agreed to in December has lost support, as evidenced by a vote taken March 23, 2010, where the FASB voted against it 4 to 1 and the IASB supported it with only 8 to 7 (as compared to the December IASB vote of 10 to 5). It is not clear to me whether the two boards can be brought back into agreement with some wording changes or if there is substantial work to do before they can reach an agreement on this fundamental issue. The FASB currently supports a single composite margin, and the IASB supports a risk adjustment plus a residual margin. The risk adjustment is the amount the issuer would rationally pay to be relieved of the risk, and the residual margin is the amount necessary to avoid a gain at issue.

In early March, the staff had proposed May 2010 for an exposure draft. I’ve heard third hand about this being pushed back to July, but even July won’t be doable without some quick agreements next month or a decision to go with an exposure that that presents multiple views on several topics.

Doug Van Dam  
March 26, 2010

---

To view past International Update conference call and meeting notes, visit [www.polysystems.com](http://www.polysystems.com)

---

