



Education and Practice Subcommittee Meeting
The Westin Bayshore Hotel, Vancouver, British Columbia, Canada
EPS (Part 1): Friday, October 16, 2015
EPS (Part 2): Friday, October 16, 2015
Minutes

The list of attendees can be found at the end of this document.

Joint Chairpersons: Dave Finnis & Thomas Ringsted

1. Introductions and review of the agenda

Dave Finnis (DF) opened the meeting by welcoming Bob Miccolis as a new member of the subcommittee appointed by the Casualty Actuarial Society. Dave encouraged everybody to verify memberships with associations so the actual membership list is up to date. Agenda points 3 and 4 would be delayed so the relevant persons could participate.

2. Approval of Last Meeting Minutes

The Subcommittee approved the minutes of meeting in Zurich without changes

3. Actuarial Standards Committee (ASC) *(delayed until after morning break to allow Micheline Dionne to attend)*

a. Update from ASC

Micheline Dionne (MD) had already given an update to the IAC and opened for additional questions.

b. ISAP 4 on IFRS "X" (Insurance contracts) update

MD gave a status on the development. She had already given a status to the IAC the day before. ASC has had the opportunity to provide some feedback and the task force met on Wednesday in Vancouver.

4. Risk Adjustment monograph *(delayed until after lunch, to enable full Deloitte involvement)*

a. Update on current status from Deloitte and APOG

Deloitte sent a complete draft in April to the APOG. DF explained the APOG response and process. The APOG responded within 2 month and issued a deficiency note as per the contract. Overall the APOG concluded that the draft is fairly complete. There are some editing do be done, which is also foreseen by Deloitte. There is a bit of concern that the monograph has not gone through a review from an overall perspective. Some repetition and imbalance towards a specific method was indicated as areas of improvement by the APOG.

Bob Miccolis (BM) and Darryl Wagner (DaW) responded to some of the feedback and asked for further input at the meeting. They also presented the proposed

Deloitte timeline for the monograph going forward. The main points are exposure draft during next summer and a complete monograph 3-6 month after the release of the IFRS X, which potentially towards summer 2017.

b. Timeframe for release of Exposure Draft

DF suggested that the comment period would be 90 days rather than 60 days due to the time of year. DaW asked whether a second exposure draft after the IFRS X has been issued would be considered. No decision in this respect was made.

5. Planning for future IASP/IANs/education material in anticipation of IFRS 4 revisions

a. Report on progress calls since Zurich

DF explained the process since June with 4 conference calls with the chairpersons of each of the IANs that were identified as key in Zurich. The objective was to have finalized first drafts of those IANs. Henry Sigel (HS) suggested that a review of the process of developing IANs and what can be expected to be addressed.

b. IAN draft status (several attached)

2. **Measurement - Building Block Approach** – (*Stefan E*)

This has been moved to something that is more generic and maybe something that is an introduction to the other IANs of more actuarial nature. Hence this will be written when the others are ready.

3. **Current Estimates** (*Henry S*)

Henry Sigel (HS) has had good input from the group since the last meeting and will try to progress the IAN further prior to St. Petersburg.

4. **Discount Rates** (*Guy C*)

DF gave a brief update as none of the members were present. The group had already had come a long way in Zurich and since then they have converted it into the Q&A format, which has been achieved.

5. **Risk adjustment** (*Burt Jay*)

DF gave a brief update. The group believes that the risk adjustment monograph will provide a good foundation. However, there is still a need for an IAN as it would direct the developments (emerging practice) based on the IFRS, whereas the monograph will portray current practice, which is not necessarily related to IFRS. Still quite some ground to cover before there is a full IAN.

6. **Contractual Service Margin**-initial and ongoing measurement (*Stefan E*)

Stefan Engländer (SE) introduced the subject by stating that he has numerous questions (distributed in advance) but would only go through a selected set of those at this meeting in order to facilitate progress with the production of the IAN. Unit of account (UoA) was the theme and SE made a presentation on the various issues. SE got good feedback from the group and enough to progress with the IAN. Average pricing is by SE seen as a way to explain looking at a larger segment than policy for the measurement.

7. **Premium Allocation Approach** - including onerous contracts, criteria for using PAA vs. BBA (*Gareth K*)

Gareth K (GK) focus is on PAA as an approximation for BAA for the unearned premium. GK is about 40-60% finished and has listed the outstanding

questions to be addressed by the working group. DF encouraged involvement of the working group. The ability to include quotations directly from IFRS standard was discussed. It was agreed to put in quotes in italics or if reference to longer paragraphs just the reference.

MD will informally ask the IASB whether we can quote the standard and the in particular the basis for conclusions.

10. **Embedded derivatives** (*Stefan E*)

SE explained that it could be finalized fairly easily once the other IANs are in place and the final standard is in place

11. **Contract Modifications** (*Dave F*)

DF introduced the update of the proposal. Subsequent measurement should only be addressed, if there known practical issues.

12. **Presentation** (*William H*)

WH introduced the subject explaining that a list of questions has been developed. The expectation is that a draft will be available for the next meeting in St. Petersburg.

13. **Participating & performance-linked contracts/features** (*Stefan E*)

SE gave a status. Essentially further development awaits decisions from IASB, which will (hopefully) clarify classification.

14. **Classification of Contracts** (*Stefan E*)

SE explained it was similar to embedded derivatives, i.e. awaits the other IAN and can the relatively easily be finalised

18. **Business Combinations** (*Jim M*)

Jim Milholland (JM) explained the changes since last meeting. The group has made good progress. JM is keen to get feedback on the current draft, although it still needs to be converted into the Q&A format. WH raised the issue of whether this is too far away from the scope of IFRS X. The subcommittee felt that there was a need for the IAN (update of)

19. **Transition** (*Derek Wright*)

Derek Wright (DW) explained that the working group progressed well, but needed some input from IASB staff in order to be able to progress further. The group is planning to reach out to the IASB staff in order to obtain input for the further development.

20. **Change in Accounting Policy** (*Stefan E*)

SE explained it was similar to embedded derivatives, i.e. awaits the other IAN and can the relatively easily be finalised

26. **Self-insured workers' compensation** (*Gareth K*)

GK gave a status and explained that there are some practice notes in the US prepared by the Academy and hence no strong need for it. It was agreed to remove this IAN from the list.

- c. Other IANs that may now need action
Pentti Soinen mentioned IFRS 9. Reinsurance (no. 14 on the list developed before Zurich) will be added to the priority list. Alexander Dollhopf asked where calculations of cash flows, eg. risk neutral vs. real world would be dealt with and where would the calculation issues with reconciliations would be dealt with. The general feedback was that it would go into presentation or current estimates.
- d. Format of IANs
No one really objected to the Q&A format after having tried to work with it. JM mentioned that some of preamble would disappear which is a relief in the drafting. SE mentioned some sort of grouping of questions still is necessary. WH suggested a work stream for defining the introduction/template for all the IANs. This would be discussed by the IAC leadership in liaison with the professionalism committee.
- e. Glossary of defined terms
The actuarial standards committee (ASC) suggested just one common glossary and the ASC should be the owner. We will ask the professionalism committee in which order they want to develop a common glossary.

6. Detailed Planning for continued development of targeted IANs

As identified in earlier discussion on IAN development

Reinsurance is added to the priority list. We will carry on with the some conference calls with the chairpersons but with a lower frequency of 2 month in between.

- a. Set targets for St. Petersburg
There are two groups of IANs. Some that we can push almost to a final draft and another group, where we are awaiting further decisions from the IASB. SE believes it will be possible to progress the CSM and the Par contracts IAN to a first draft stage for the St. Peterburg meeting.

Suggested objective is to progress the draft IANs as much as possible.

Most likely timeframe is that an informal draft of IFRS X will be available around the meeting in Cape Town, which means we should plan to have drafts in a final format for the meeting in Cape Town. Exposure drafts could be out for review by the following meeting in Budapest. The best use of the St. Peterburg meeting should be to discuss the content of the IANs. In order to facilitate this, the drafts needs to be distributed well ahead of the meeting, so all have enough time to read them and prepare for the discussion. Maybe a way is for each working group to identify the key issues to be discussed and maybe focus discussion on these key issues.

7. Related IAA Member Association activities *(15 minutes for information)*

JM gave an update on the development of a book on IFRS sponsored by the Society of Actuaries (SOA). It supplements the book on US GAAP and focuses on accounting for insurance. The SOA is also planning on developing a new edition of the GAAP Textbook to reflect the changes that FASB is making.

Thomas Ringsted mentioned that the Danish Actuarial Society is writing notes on how to implement CSM for par contracts.

8. Other business

There was none.

9. Next meeting

The next meeting will be in St. Petersburg, Russia – 25-29 May 2016.

List of Attendees

David Finnis
Thomas Ringsted

Co-Chairperson
Co-Chairperson

Members

Gunn Albertsen
Rowen Bell
Stefan Engeländer
Sam Gutterman
Shinji Ikeda
Gareth Kennedy
Bob Miccolis
Jim Milholland
Yoshio Nakamura
Henry Siegel
Derek Wright

Observers

Micheline Dionne
Alexander Dollhopf
Matthew Garnier
Max Happacher
William Hines
Gareth Kennedy
Henk van Broekhoven
Pentti Soininen
Darryl Wagner
Claire Wang
Yuanhan Zhang

Chairperson, Insurance Accounting Task Force
Svenska Aktuarieföreningen
Canadian Institute of Actuaries
Deutsche Aktuarvereinigung e. V. (DAV)
Chairperson, Insurance Accounting
Casualty Actuarial Society
Het Koninklijk Actuarieel Genootschap
Suomen Aktuaariyhdistys
Co-Vice-Chairperson, Advice and Assistance
Actuarial Institute of Chinese Taipei
China Association of Actuaries