



Education and Practice Subcommittee Meeting

Part 1: Wednesday, April 8, 2015, 10:00- 12:30

Part 2: Friday, April 10, 2015, 10:00- 12:30

Part 3: Saturday, April 11 2015, 08:00-12:30

Renaissance Hotel, Zurich, Switzerland

Minutes and Report to Insurance Accounting Committee

Joint Chairpersons: **Dave Finnis**
Thomas Ringsted

1. Introductions and review of the agenda Dave Finnis (DF) opened the meeting and introduced Thomas Ringsted as new co-chair.

New American Academy Actuaries representative Rowen Bell replacing Burt Jay

New Dutch representative Ernst Visser

2. Minutes – approval of London meeting minutes

The Subcommittee approved the minutes of meeting in London without charges.

3. Actuarial Standards Committee (ASC)

a. Update from ASC

William Hines (WH) gave an update as the ASC meeting was concurrent with this meeting. Micheline Dionne (MD) joined later to talk about progress on ISAP for IFRS 17.

IASP1 and IASP2 are in place. ISAP3 to is up for approval at this meeting. IASP4 (insurance contracts). Two are being developed on ERM (ISAP5&6). One on ERM and one on interaction with IAIS standards exposure draft may come out this year. ISAP7 on request of IAIS on global capital standards exposure draft expected in 2016. SOI to revise IASP1 due to developments in modelling. Consider strengthening actuarial standards around public pensions reporting and other potential areas

The Actuarial Association of Eurpoe (AAE) is also trying to develop standards and wants to coordinate to avoid duplication of effort.

b. IFRS 17 Insurance contracts ISAP update

MD explained current status of development. Items in *italics* are for consideration of a separate ISAP. ISAP7 is on current estimates may overlap with the IAN on current estimates. MD welcomed input both at the meeting and later.

WH mentioned that ISAP7 might not end up in the same place because the definitions of current estimates may be different. IAIS wants something more prescriptive. Expenses is an

example where there may be a difference. Mode versus mean may also be an area of difference.

MD asked ASC three questions surrounding detailed potential inclusions for the ISAP. The response was inconclusive. Timeline is exposure draft 6 months after the IFRS on insurance contracts is exposed.

4. Risk Adjustment monograph

a. Update on current status from Deloitte and APOG

Bob Miccolis (BM) and Darryl Wagner presented the status on the Risk Adjustment Monograph. A draft for review is now expected in Q3 2015 and a complete final draft is ready for exposure by the end of 2015. The timing of the final monograph is as before 3-6 month after the publication of the new IFRS for insurance contracts.

Stefan Engländer (SE) mentioned a glossary would be helpful and also suggested a case study with more risk factors.

Henry Siegel (HS) mentioned that he is missing a par example and a long-term contract. DF added it had been discussed at the oversight group and they had realized it would result in too many case studies due to the diversity of par business.

SE suggested a case study with asymmetry, e.g. par contracts with guarantees.

Guy Castagnoli suggested the concept of cash flow matching mentioned in relation to replicating portfolios.

Pentti Soininen (PS) asked whether the international capital standards would be mentioned. BM explained scope was IFRS for insurance contracts and other accounting regimes would only be mentioned for comparison.

Sam Gutterman (SG) suggested it was clear who management is (on item 3 page 2 of Key Comments).

DF, on behalf of the APOG, mentioned three areas of general comment

Scope: misunderstanding mainly within the APOG on focus on IFRS rather than for example solvency II

Balance: balance between quantitative and qualitative and Deloitte's response reflects this

Practical: timing

SG suggested that a description of how to handle a change in risk appetite at least in a qualitative way under re-measurement

b. Approval of revised timeframe

BM presented the suggested revised timeline. Working drafts of all chapters 1-13 (the second item on timeframe in the presentation mentioning chapters 1-12. This is a typo) would be ready by end June 2015.

DF mentioned APOG had hoped for a final draft by end June and thereafter it could be open to the E&P subcommittee for comments. DF said that process had not yet started as the APOG assessed the first half of the current draft was ready for exposure to the wider group whereas that was not the case for the remainder of the chapters.

APOG has not yet decided whether the Subcommittee between the Zurich meeting and the Vancouver meeting can review the draft. This may be possible, though.

Dave Pelletier suggested earlier distribution of drafts for educational purposes. SE warned against that process due to its status as draft, hence not released as educational material.

DF: Earlier publication of draft material needs to be agreed with Deloitte as it is governed by the contract.

c. E&P role going forward

Covered under timeframe.

5. Review of the E&P Terms of References

Jim Milholland (JM) asked about external communication without involvement of the committee. He would like to be heard on external communication.

Need to ask ASC about requirement for reporting other than minutes.

Agreement in Subcommittee and also discussed in the IAC meeting on Friday.

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

a. Discussion of any changes in IAN list from London

DF stated that we got feedback form about half of the groups around the 27 February deadline and most reported that they had not made much progress mainly due to limited new developments from the IASB. For the non-life most has been finalized and DF asked whether the ambition expressed in London was too high.

SE, JM, Peter Withey in favor of going ahead whereas HS more in favor of waiting until the final decisions. SG stated that we know that at least half of these subjects will not be changed by the IASB. A decision IAN by IAN is encouraged.

Objective for rest of meeting to make assessment of objectives for IAN progress for Vancouver IAN by IAN and feedback from each group on what would facilitate the process.

b. "Active" IANs

Possible addition of IAN 27 (Health Insurance – focused). Discussion of whether IAN 13 (par contracts should be split further).

Should some of the IANs not mentioned be prioritized. None mentioned, so no need to add more IANs to the priority list.

The Q&A format of the IANs was revisited and confirmed. The lack of a finalized standard upon which the IANs are to be based was seen as an obstacle in the production of the IANs

2. Measurement - Building Block Approach

A list of topics has been assembled by SE. Structure of note is as agreed in London. General intro and a more detailed section on measurement.

3. Current Estimates

No comments

4. Discount Rates

Has all the references to the Discount Rate Monograph. Next step is to agree on topics with group and to agree on priority. Discounting for par contracts should go into par contracts. Currently not adhering to the Q&A format

5. Risk adjustment

No progress. Group awaiting input from a final draft of the Risk Adjustment Monograph. Rowen Bell will replace Burt Jay as spokesperson. Burt still happy to participate

6. Contractual Service Margin - initial and ongoing measurement

SE: It is an example/try at the Q&A format. The content is a moving target given the status of the IFRS for insurance contracts.

SE explained it had not been that difficult to produce the Q&A format as it was not really a big difference to the content of the natural paragraph in the IAN.

WH advised numbering of all questions. This is the experience from his previous work with Q&A formats in the US.

Good input from the group.

Further development awaits IASB decisions. The expectation is that a revised draft would be ready for Vancouver.

It was suggested that a group was dedicated for editing. Rowan volunteered for that work. DF and TR would also be natural.

7. Premium Allocation Approach - including onerous contracts, criteria for using PAA vs. BBA

Gareth Kennedy (GK) went through the draft sent to leadership the same morning (Friday). Discussed whether transition should be dealt with separately or in each IAN, so far we are looking for input on content.

If in doubt of where to place content please liaise with leadership.

10. Embedded derivatives Mainly unchanged since the last meeting. Based heavily upon existing IAN. Includes changes suggested during discussion in London. Currently still in old format. Await decision regarding Q&A formatting. Remove from priority list for Vancouver meeting.

Some question about the relevance of specific comment regarding hedging instruments.

11. Contract modifications

DF presented input from Grant Robinson in Australia. Remove onerous contracts from IAN. Note will be circulated to members to elicit feedback to the working group. Volunteers are promised from German Health and US.

12. Presentation

WH noted that the team has discussed broad needs

13. Par contracts

PS presented a matrix of potential needs. Discussion revolved around the need to keep par contract issues as a separate item (for issues unique to participating business) Need to wait more definitive decisions from IASB before text can be written for each area. Relevant slides on potential IASB approach to Par contracts as presented by SE to IAC will be distributed. Derek Wright (DW) there are still some basic questions to be answered (eg What is the IASB definition of "par") SE there are many type of participation (in addition to par in investment) that have not been addressed. Group will respond as actively as possible to IASB developments

15. Classification of Contracts

SE presented existing IAN – still highly relevant. Await next steps from IASB before further changes (and change to Q&A format). Input needed on special cases (e.g. those areas of business for which Phase 1 was a problem). Yellow highlights show new input (based on changes to the standard).

18. Business Combinations

JM presented thoughts for IAN structure:

Objectives – technical guidance to actuaries (include portfolio transfers? Yes) on accounting for business combinations (beyond pure IFRSX needs)

What is required by IFRSX? – Fair value and then recorded value

What's new? – Fair value measurement (IAS13)

What's gone? – mention of business acquired

What's different – deferred tax plus other edits

What's needed – addition of portfolio transfers (see above), coordination (especially with transition ut also par contracts and transition)

JM would also like feedback on initial draft of IAN18 but will continue to draft looking to Vancouver meeting.

19. Transition

DW awaiting IASB reaction to things like par contracts and CSM. Aware something tangible needs to be produced for Vancouver meeting

20. Change in Accounting Policy

Some changes but largely IFRSX does not include much new material regarding accounting policies. Therefore seen to be reasonably complete. PW Important in helping actuaries differentiate between various types of accounting change.

26. Self-insured workers' compensation

GK still in scope of IANs from E&P? Note will be produced in any case (perhaps for US purposes only) Scope of note will be produced for Vancouver.

c. Other IANs that may now need action

None mentioned

d. Format of IANs and further guidance for progress

The need for a coordination group/editorial committee was discussed. Potentially this will include DF TR and RB as discussed earlier. DW Suggested conference call each month for spokespeople of each IAN working group.

7. Breakout Sessions to Work on IANs

Not necessary as it was covered under the previous point

8. Related IAA Member Association activities

Short reports from US – Early movements on preparation of implementation aid, Australia, awaiting progress, Germany awaiting progress Mexico regulatory accounting implications, S Africa and Denmark - similar

9. Other business

JM Professionalism Committee reaction to proposed Q&A format for IANs needs to be investigated and communicated appropriately. WH Need to clarify our intended approach to IANs with the PC

10. Next meeting

The next meeting will be in Vancouver, Canada, 14-16 October 2015

Attendance List:

Members

David Finnis	Co-Chairperson
Thomas Ringsted	Co-Chairperson
William Hines	Ex-Officio
Rowen Bell	
Guy Castagnoli	
Stefan Engländer	
Sam Gutterman	
Shinji Ikeda	
Jim Milholland	
Yoshio Nakamura	
E.P. Visser	
Peter Withey	
Derek Wright	

Observers

Astghik Ananyan	Actuarial Society of Armenia
Gayane Arsenyan	Actuarial Society of Armenia
Yair Babad	Israeli Actuarial Association (Wed)
Ronald Chidiac	Lebanese Association of Actuaries (Wed)
Jeff Courchane	Casualty Actuarial Society (USA) (Fri)
Barbara D'Ambrogio-Ola	Suomen Aktuaariyhdistys
Michael Davies	Canadian Institute of Actuaries
Micheline Dionne	Chairperson, Insurance Accounting Task Force
Mark Freedman	Society of Actuaries (USA) (Wed)
Max Happacher	DAV (Germany)
Gareth Kennedy	Casualty Actuarial Society
Irina Melnikova	Russian Guild of Actuaries (Fri)
Bob Miccolis	Casualty Actuarial Society (Wed, Fri)
Jari Niittuinperä	Suomen Aktuaariyhdistys
Ksenija Sanjkovic	Hrvatsko Actuarsko Drustvo (Wed, Fri)
Dave Pelletier	Canadian Institute of Actuaries (Fri)
Jesús Zúñiga San Martin	Colegio Nacional de Actuarios A. C. (Wed, Fri)
Henry Siegel	American Academy of Actuaries
Rob Stapleford	Canadian Institute of Actuaries

Pentti Soininen

Suomen Aktuaariyhdistys

Darryl Wagner

Chairperson, Asia Subcommittee (Fri)