

## **COMMITTEE ON INSURANCE ACCOUNTING REPORT FOR THE PERIOD MAY – OCTOBER 2003**

### **IASB Insurance Project**

The Committee has been actively participating in the development of the International Accounting Standards Board's (IASB) project on accounting for insurance contracts and related financial reporting projects, with regular communication with the IASB staff and Board members. This project has been split into two phases, the first responding to the immediate requirements of several countries, affecting Australian, European and South African insurers among others that will implement International Financial Reporting Standards (IFRSs, also referred to as IASs) in 2005. The exposure draft for this phase (ED 5) was published at the end of July. The Committee met in London in September (thanks go to the Society of Actuaries and PricewaterhouseCoopers who provided funding and logistical support for the meeting) to prepare its response, a draft of which was transmitted to the IASB in September. This has been sent to IAA members for their vote as an IAA public statement. Phase II will subsequently cover insurance contracts, currently expected to be effective in 2007, although this might slip to 2008.

The Committee has been very active in providing actuarial advice to the IASB, particularly through its representative Paul McCrossan. He has attended several meetings of the IASB Board, IASB Standards Advisory Committee and the IAIS that is closely following developments in this area. Members of the Committee have been active in making presentations on this topic to meetings of many member organizations and outside bodies.

The Committee has been actively involved this year in a series of joint research projects with the American Council of Life Insurance of the U.S. (the Committee has offered its assistance to other organizations on other research projects as well, but has as yet not been taken up on this offer). This research project has explored the implications of the inter-relations of various asset and liability accounting models for life insurers, currently studying universal life and such issues as the effect of recognition of renewals, unbundling and certain non-guaranteed features. Much of the case study development work has been conducted by William Hines and Milliman USA staff, with peer review provided by Committee leadership. Three reports have been transmitted to the IASB and presented (by a group including Sam Gutterman and William Hines) at a September session in London with certain IASB Board members and staff, and are available on the IAA website. The involvement of the Committee leadership has emphasized the research as opposed to lobbying aspects of this project.

In addition, the IASB is the process of developing several important exposure drafts over the coming year that the Committee expects to provide comments on.

### **IAA Actuarial Standards**

The Committee's Actuarial Subcommittee on Actuarial Standards, through its small working party, has been actively involved in the development of issue papers relating to the development of actuarial standards relating to the implementation of ED 5, although much of its work over the past four months has focused on developing IAA comments on ED 5. It has been tentatively decided that the Subcommittee will develop Type 3 (Recommended Practices) and Type 4 (Practice Guidelines) standards to provide implementation guidance to actuaries worldwide. It is

hoped that these (or at least a draft that is in fairly good shape) will be available shortly after ED 5 is adopted (expected to be at the end of the first quarter of 2004). These (as well as draft ED 5 comments) have been initially drafted by the Subcommittee's small very hard working working party, that will subsequently be reviewed by the Subcommittee and Committee members. The Actuarial Standards Board (U.S.) has agreed to provide staff editorial support for this project, particularly useful as it looks increasingly likely that U.S. GAAP may converge with IASB standards in the future. The co-chairs of this Subcommittee are Paul McCrossan and Francis Ruygt, also vice-chairs of the parent Committee. Work on these standards / educational material is expected to be developed on a high priority basis subsequent to the Berlin meeting.

### **IFAC**

The IAA is a member of the Consultative Advisory Group (CAG) of the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). This international group is responsible for developing international auditing standards, also due for implementation in Europe in 2005. Sam Gutterman is the IAA representative to the CAG. He attended the November meeting in Brussels. The organizational structure of the IFAC is currently being revised, so that it is currently uncertain whether the IAA membership on the CAG will continue; nevertheless the role of the CAG is likely to be increased next year. Key projects of relevance to the IAA are the IAASB's projects on auditing estimates under conditions of uncertainty and the role of experts in the audit.

Sam Gutterman, chair

Paul McCrossan and Francis Ruygt, vice-chairs

Paul McCrossan and Francis Ruygt, co-chairs of the Actuarial Standards Subcommittee  
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