

**COMMITTEE ON INSURANCE ACCOUNTING
and its SUBCOMMITTEE ON ACTUARIAL STANDARDS
REPORT FOR THE PERIOD APRIL 2007 – OCTOBER 2007**

International Accounting Standards Board (the IASB)

The Committee continues to actively participate in the development of the IASB's project on accounting for insurance contracts (phase II) and related financial reporting projects, with regular communication with the IASB staff and Board members. Much of the Committee's activities during the last six months have focused on the IAA's response to the IASB's Discussion Paper on this topic, the efforts of the IAA's ad hoc Risk Margin Working Group, plus working with the International Association of Insurance Supervisors (the IAIS) on phase II related topics, including fair value measurements. Committee representatives have worked with the IAIS Insurance Contracts Subcommittee regarding the IASB's Phase II Discussion Paper.

The Committee has been very active in providing actuarial advice to the IASB, particularly by Francis Ruygt and Sam Gutterman, although other members of the Committee have also been active in this area, especially Stefan Engeländer. A significant amount of effort, including a Committee meeting in June in London, has focused on our response to the above-mentioned IASB discussion paper. It is anticipated that the IASB's Insurance Working Group, whose IAA's representative is Sam Gutterman, will begin meeting in March or April of 2008, discussing the development of the exposure draft of an IFRS on this subject that will be quite important to many actuaries around the world.

In addition, the Committee has responded and is planning to respond to other exposure drafts as they come out, e.g., it commented on the IASB's Discussion Paper on *Fair Value Measurements* and will comment on one on *Revenue Recognition* when it comes out later this year or early next year. It is anticipated that the Committee will continue this activity on relevant issues.

IAA International Actuarial Standards of Practice

The Committee's Subcommittee on Actuarial Standards and its small drafting team has drafted two further International Actuarial Standards of Practice (IASPs) for re-exposure. It is anticipated that they will be discussed at the Dublin meeting – *Business Combinations and Disclosure* - as a step towards possible re-exposure.

The Subcommittee (in cooperation with the Professionalism Committee) will be turning its attention to the management and maintenance of its IASPs at its Dublin meeting, including discussion of the structure of IASPs appropriate for implementation of IASB *Insurance Contracts* phase II IASPs and a possible change to current IASP No. 2, *Actuarial Practice*, to a higher level standard. In addition, the Subcommittee leadership has been working with the Professionalism Committee in the possible revision to the IAA's due process for IASPs.

The Subcommittee sponsored a Request for Proposal (RFP) for the development of an educational monograph that will address stochastic applications to the measurement of liabilities and capital assessment. The Subcommittee undertook fundraising for this monograph and is confident that it will have accumulated sufficient funds for its development. There were three responses to the RFP. The ad hoc group, primarily made up of representatives of funding

organizations, is expected to make a recommendation as to which of the three should be awarded this project by or at the Dublin meeting.

International Association of Insurance Supervisors (IAIS)

Although the IAA Insurance Regulations Committee is the primary IAA committee charged with maintaining relations with the IAIS, representatives from the Committee on Insurance Accounting have also been involved with the IAIS's efforts associated with the development of IASB standards. In particular, Francis Ruygt has played the lead in this effort, with support by Sam Gutterman, actively participating in several IAIS subcommittee meetings since the Mexico City meeting. The current IAIS position is that regulatory accounts should utilize IASB standards wherever possible, including those relating to liabilities for insurance contracts.

In addition, the Committee has several members providing editorial support for the IAA's joint ad hoc Risk Margins Working Group (RMWG, together with the Insurance Regulation and Solvency Subcommittee), for which there have been five face-to-face meetings and many conference calls. It has addressed the development and assessment of current estimates and risk margins incorporated in insurance liabilities and assets in the context of regulatory and general purpose financial reporting. The co-chairs of that working group were originally Paul McCrossan representing the Accounting Committee and Henk van Broekhoven of the Solvency Subcommittee of the Regulation Committee. Paul McCrossan retired at the end of 2006 – as a result, Henk is currently serving as chair. An Exposure Draft of the Working Group's paper was exposed for public comment on February 25, 2007. A revised draft will be discussed at the Dublin meeting. It is currently expected that it will be re-exposed for comments.

International Auditing and Attestation Standards Board (IAASB)

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 organization is responsible for the development and management of international standards of auditing (ISAs). Sam Gutterman is the IAA representative to the CAG. He attended its June and September 2007 meetings. The IAA Committee is particularly following two of the IAASB's projects, addressing (1) auditing of estimates including fair values and (2) the use of experts in auditing. Sam Gutterman is the head of the CAG's working parties providing oversight to these two IAASB projects. Jim Milholland and Sam Gutterman are working members of the IAASB's Task Force on the use of experts in auditing. The IAASB is expected to approve an ISA on the audit of estimates including fair values in December. An exposure draft on the use of experts in auditing is expected out shortly. It is expected that the Committee will respond to this Exposure Draft over the next several months.

Other

In addition, the Committee may respond to the International Valuation Standards Committee (IVSC)'s exposure draft on *Determination of Fair Value of Intangible Assets for IFRS Reporting Purposes*.

Committee on Insurance Accounting

Sam Gutterman, Chairperson; David Congram and Francis Ruygt, Vice- Chairpersons

Actuarial Standards Subcommittee

David Congram and Francis Ruygt, Co-Chairpersons