

**COMMITTEE ON INSURANCE ACCOUNTING
and its SUBCOMMITTEE ON ACTUARIAL STANDARDS
REPORT ON ACTIVITIES MAY 2006 – OCTOBER 2006**

International Accounting Standards Board (IASB)

The Committee continues to actively participate in the development of the IASB's project on accounting for insurance contracts (phase 2) and related financial reporting projects, with regular communication with the IASB staff and Board members. In response to phase 1, most of the Committee's activities has continued to focus on the development of International Actuarial Standards of Practice (IASPs) that relate to the use of IFRS 4 (*Insurance Contracts*) that were finalized since the Paris meeting, while in response to phase 2, most of the Committee's activities have focused on the ongoing discussion of the IASB's Insurance Working Group plus working with the International Association of Insurance Supervisors (IAIS) on their project on liabilities of insurance contracts, focusing on the measurement of current estimates and risk margins.

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. For example, Sam attended a meeting of the IASB's Financial Instruments Working Group as its IAA representative and participated in an educational session at the June IASB Board meeting in support of the IAIS. In addition, individual members of the Committee have been active in making presentations and writing articles on this topic to meetings of IAA member and other organizations. Francis Ruygt also attended a meetings of the IASB's Financial Instrument Working Group that is advising the Board on IAS 39 (financial instrument) related issues.

In addition, the Committee responded to the IASB's request for comments, both formal and informal, including written submissions addressing the IASB's *IAS 1 Presentation of Financial Statements: A Revised Presentation* and its *Preliminary Views on an improved Conceptual Framework for Financial Reporting: The Objective of financial Reporting and Qualitative Characteristics of Decision-useful Financial Reporting Information*. 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 focused its attention on third proposed set of IASPs (four of which were approved by the IAA President for distribution in November 2005) – these addressed *Embedded Derivatives and Derivatives, Reinsurance, Business Combinations, and Disclosure*. The Subcommittee has presented its recommendations for the first two for approval by Council by electronic vote shortly after the Edinburgh meeting. The latter are still under development due to an expansion of its scope or revisions made by the IASB in the area.

The Subcommittee (in cooperation with the Professionalism Committee) will be turning its attention to the management and maintenance of its IASPs in the future, as well as to the development of phase 2 IASPs.

The staffs of the Actuarial Standards Board (U.S.) and the IAA have continued to provide significant editorial support for this activity.

International Association of Insurance Supervisors (IAIS)

Although the IAA Insurance Regulation Committee is the primary IAA committee charged with maintaining relations with the IAIS, the Committee on Insurance Accounting has also been involved with the IAIS's efforts associated with the development of IASB standards. In particular, Paul McCrossan and Francis Ruygt have been actively involved in several IAIS subcommittee meetings. Several of these particularly dealt with the development of the IAIS's Second Liability paper that the IAIS submitted this summer to the IASB for its consideration. Francis also attended several committee meetings at the IAIS's annual meeting in Beijing in October, where he addressed the implications of phase 2 as a panel member of a session on this topic.

In addition, the Committee has several members to the IAA's joint working group (together with the Insurance Regulations and Solvency Subcommittee) on Risk Margins, for which there was a working group meeting in Paris in May and several subsequent conference calls. It has addressed the development and review 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 are Paul McCrossan representing the Accounting Committee and Henk van Broekhoven of the Solvency Subcommittee of the Regulations Committee. The goal is the preparation of a paper on these subjects, particularly in response to a request from the IAIS. The work on this has fallen behind schedule due to the lack of availability of key members. It is anticipated that the work product will be exposed for comment after the Edinburgh meeting.

The Committee also assisted the Insurance Regulation Committee in developing the IAA's response to the IAIS's exposure drafts on *Common Structure for the Assessment of Insurer Solvency and Appendix I: Draft Standard on Disclosure Concerning Technical Risks and Performance for Life Insurers*

International Auditing and Assurance 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 auditing standards (IASs), due for implementation in Europe in the near future and for convergence with other jurisdiction's auditing standards as well. Sam Gutterman is the IAA representative to the CAG. He attended its September 2006 meeting in London. The Committee is particularly following three of the IAASB's projects, addressing auditing of estimates including estimated fair values and the use of experts in auditing. Sam Gutterman is a member of the CAG's working parties providing oversight to these two IAASB projects. Jim Milholland is a working member of the IAASB's Task Force on the use of experts in auditing.

Committee leadership

Paul McCrossan retired from the Committee and Subcommittee effective after the Paris meetings, although he has remained co-chair of the Risk Margin Working Group. David Congram has taken his place.

Committee on Insurance Accounting

Sam Gutterman, Chairperson

David Congram and Francis Ruygt, Vice-Chairpersons

Actuarial Standards Subcommittee

David Congram and Francis Ruygt, Co-Chairpersons