

# **INSURANCE ACCOUNTING COMMITTEE**

## **REPORT FOR THE PERIOD NOVEMBER 2003 – APRIL 2004**

### **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 insurance contract standard, published on March 31, 2004, is IFRS 4.

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 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). The first stage explored the effect of different measurement bases of assets and liabilities. The current stage of this research project is exploring the effect of renewals, unbundling and non-guaranteed elements on a U.S. style universal life. Much of the case study development work has been conducted by William Hines and Milliman USA staff, with peer review provided by Committee leadership. The involvement of the Committee leadership has emphasized the research as opposed to lobbying aspects of this project.

In addition, the Committee responded to the IASB's request for comments on the Constitution of the IASC Foundation, is currently reviewing two additional requests for comments, and anticipates several such requests for comments in the near future.

### **IAA Actuarial Standards**

The Committee's Actuarial Subcommittee on Actuarial Standards, through its small working party, has been very actively involved in the development of actuarial standards and guidelines to be used by actuaries in implementing IFRS 4 and related IASB standards. A significant amount of effort has been spent drafting Subcommittee working drafts of ten potential International Actuarial Standards of Practice. The Subcommittee held a meeting in March in London to discuss various preliminary drafts of these working drafts or related papers. These preliminary drafts were widely distributed in April and May. This did not provide much time for rigorous IAA Member review, but the Subcommittee believed that any comments provided would enhance the Exposure drafts and would provide early exposure to the issues being addressed by the upcoming Exposure drafts that, if the IAA President agrees, should be distributed for formal approval in June (the Council does not need to approve the distribution of Exposure drafts).

The Committee has actively participated in the possible revision of the IAA due process procedure spearheaded by the Professionalism Committee to be discussed in Stockholm. If this revision is passed, IAA Members will have four months to review the Exposure drafts. It has been tentatively decided that the Subcommittee will develop one class 3 (Recommended

Practices) ASOP and several, possibly up to ten, Type 4 (Practice Guidelines) standards. The objective is to complete this series of ASOPs by the first quarter of 2005 at the latest.

The Actuarial Standards Board (U.S.) has provided editorial staff support for this project, particularly useful as it looks increasingly likely that U.S. GAAP will converge with IASB standards in the future.

### **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 and hopes to attend part of the meeting in Washington in June. The organizational structure of the IFAC is in a transition phase, although it appears that the IAA membership on the CAG will continue. Currently there are three current IAASB projects of relevance to the IAA: auditing estimates under conditions of uncertainty, audit materiality 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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