

**INSURANCE ACCOUNTING COMMITTEE ON  
and its SUBCOMMITTEE ON ACTUARIAL STANDARDS  
REPORT FOR THE PERIOD NOVEMBER 2004 – MAY 2005**

**International Accounting Standards Board (IASB)**

The Committee continues to actively participate 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 was split into two phases, the first responding to the immediate requirements of several countries, affecting Australian, European and South African insurers among others that are implementing International Financial Reporting Standards (IFRSs, also referred to as IASs) in 2005.

The Committee has been very active in providing actuarial advice to the IASB, particularly through Paul McCrossan, Francis Ruygt and Sam Gutterman. They have attended several meetings of the IASB Board and several of its committees and working groups (Standards Advisory Committee, the Insurance Working Group and the Financial Instruments Working Group). Members of the Committee have been active in making presentations on this topic to meetings of many member organizations and outside bodies.

Sam Gutterman attended the first four meetings held in London of the IASB's Insurance Working Group over the last nine months. It is serving in an advisory capacity to the IASB Board in conjunction with the development of phase 2 of the IASB's Insurance Contract project. Francis Ruygt has attended the first two meetings of the IASB's Financial Instrument Working Group that is advising the Board on IAS 39 related issues. Both groups will play a critical role in helping the Board to improve financial reporting for insurance contracts and financial instruments, respectively.

In addition, the Committee responded to several IASB's request for comments, both formal and informal, including written submissions addressing the IASC Foundation's Trustees' Proposals for Change in its Constitution Review. It is anticipated that the Committee will continue this effort in the future on relevant issues.

Sam Gutterman and Martin White (Institute of Actuaries) presented an educational session to the IASB Board in January addressing expected cash flows relating to non-life insurance claims liabilities. William Hines and David Sandberg, together with another representative of the American Council on Life Insurance (ACLI), presented the Committee's joint research project conducted with the ACLI on Renewal Premiums and Guaranteed/Non-Guaranteed Elements prepared in 2004 to the IASB's Insurance Working Group.

**IAA International Actuarial Standards of Practice**

The Committee's Actuarial Subcommittee on Actuarial Standards and its small working party on standards, has been very active in the past six months. In October and December, it exposed for four months for public comments seven draft preliminary International Actuarial Standards of Practices (Class 4, Practice Guidelines or "PGs") addressing accounting for insurance and related

contracts under International Financial Reporting Standards that will come into effect the beginning of 2005. Comments were received from twenty five IAA member associations, audit firms and accounting groups, insurance companies, regulators and individuals, including sixteen from IAA member associations. Although the comments covered a wide range of issues, the most significant ones addressed whether the language used in several places was consistent with papers. The Subcommittee met in London in April to discuss these comments. Since then, the working party has revised the PGs. The Subcommittee, having followed IAA due process for the development of such PGs, is proposing to have Council adopt these revised PGs at its Rome meeting. The Subcommittee intends to discuss four additional PGs at its Rome meeting for possible exposure.

The Actuarial Standards Board (U.S.) has provided significant 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.

### **International Association of Insurance Supervisors (IAIS)**

Although the IAA Insurance Regulations Committee is the primary IAA committee charged with maintaining relations with the IAIS, the Insurance Accounting Committee has also been involved with the IAIS's efforts associated with the development of IASB standards. In particular, the Committee responded in May to their exposure draft on the IASB's Phase 2 of its Insurance Contracts project. In addition, Paul McCrossan attended the initial meeting of the IAIS's committee on Insurance Contracts and presented the IAA's current views in Basel, Switzerland, in May 2005.

### **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 group is responsible for developing international auditing standards, due for implementation in Europe in 2006. Sam Gutterman is the IAA representative to the CAG. He attended its November 2005 meeting in London and will attend its early June meeting in London. The IAA submitted comments in April regarding proposed IAASB standards regarding auditing estimates (other than fair values) and audit materiality. In addition, the IAASB is beginning a project to revise its audit standard on the use of experts in auditing, for which the Committee will be following closely.

### **Committee on Insurance Accounting**

Sam Gutterman, chair

Paul McCrossan and Francis Ruygt, vice-chairs

### **Actuarial Standards Subcommittee**

Paul McCrossan and Francis Ruygt, co-chairs