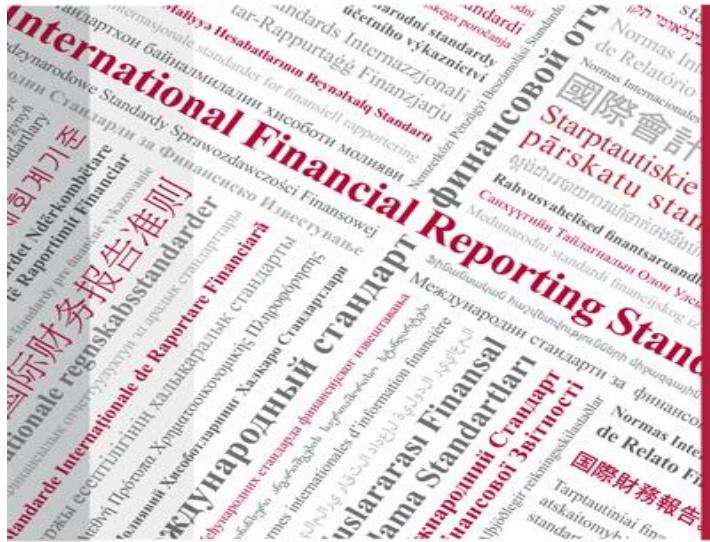


International Financial Reporting Standards



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IASB member

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Insurance Contracts Standard

The need for change and the history of the project



1. The need for change and the history of the project
2. What is an insurance contract?
3. Initial measurement of insurance contracts
4. Subsequent measurement of insurance contracts
5. Modifications to General model: variable fee contracts
6. Other modifications to the General model
7. Presentation and disclosure
8. Applying the standard for the first time

Need for a global insurance standard

3

- IFRS 4 *Insurance Contracts* is an interim Standard
 - Permits continuation of wide variety of practices
 - Includes a ‘**temporary exemption**’ from general requirement that accounting policies should be relevant and reliable
- IFRS 4 **does not provide transparent information** about the effect of insurance contracts on financial statements
- Existing accounting makes **comparisons difficult** between products, companies and across jurisdictions



How will accounting improve?

4

Existing issues

Variety of accounting treatments

Estimates not updated

Discount rate based on investment

Lack of discounting

Little information about options and guarantees

New Accounting model

Consistent accounting

Estimates reflect current information

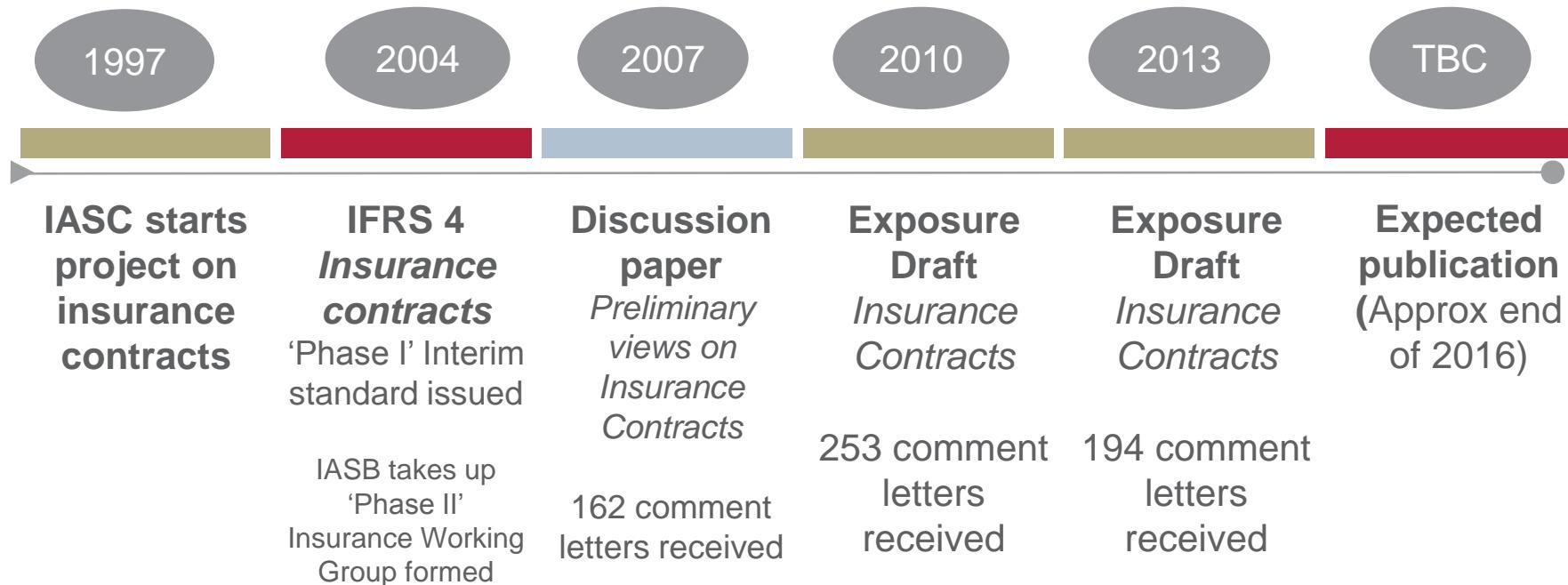
Discount rate reflects cash flows of the contract

Measurement reflects discounting where significant

Measurement reflects full range of possible outcomes

Project History

5



IFRS™

Extensive consultation

- Three **consultation documents** issued
- **Extensive outreach** with investors, analysts, preparers, regulators, accounting firms and standard-setters, in all regions with significant insurance industry
- Benefitted from **continuous feedback** from industry
- Three rounds of **fieldwork** focused on assessing operationality of the proposals



IFRS™

Common concerns in feedback

7

- The IASB has received extensive and detailed feedback on its proposals. Underlying the feedback are three common concerns:
 - Concerns about the effect of changes in current value measurement on profit or loss
 - Concerns about the accounting for contracts with participating features
 - Concerns about complexity of the proposals as a whole
- A summary of how the IASB responded to specific feedback is available on the project website.

Next Steps

8

- Drafting of the standard underway
- Consistent with recent projects, engagement will continue:
 - Targeted general updates of specific wording
 - Targeted testing of specific wording
 - Extensive fatal flaw review
 - Sweep Issues
- Detailed effects analysis will be included
- Still to consider:
 - Effective date

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