

IASB Update

From the International Accounting Standards Board



4 May 2011

Welcome to IASB Update

This IASB Update is a staff summary of the tentative decisions reached by the Board at a public meeting. As a project progresses, the Board can, and sometimes does, modify its earlier tentative decisions. Tentative decisions do not change existing requirements until those decisions are incorporated in a new or amended standard.

The IASB met on 4 May 2011 in a public meeting, with some Board members participating by telephone or videoconference. The meeting was held jointly with the FASB with FASB Board members participating via videoconference from Norwalk. The boards continued their discussion of the insurance contracts project.

The topic discussed at the IASB meeting was:

- Insurance contracts

Insurance contracts

The IASB and FASB continued their discussions on insurance contracts by considering the unbundling of goods and services and of investment components.

Unbundling non-insurance goods and services

The boards discussed whether non-insurance goods and services should be unbundled from an insurance contract in accordance with the principles for identifying separate performance obligations in the revenue recognition project, ie that:

- An entity should account for a bundle of promised good or services as *one performance obligation* if the entity integrates those goods or services into a single item that the entity provides to the customer. (If this criterion is satisfied, the entity need not consider the criteria in b.).
- An entity should account for a promised good or service as a *separate performance obligation* if:
 - the pattern of transfer of the good or service is different from the pattern of transfer of

Contact us

International
Accounting
Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Tel: +44 (0)20 7246 6410
Fax: +44 (0)20 7246 6411
E-mail: info@ifrs.org
Website: www.ifrs.org

Future Board meetings

The IASB meets at least once a month for up to five days.

The next Board meetings in 2011 are:

11 and 12 May
16-20 May

To see all Board meetings for 2011, [click here](#).

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Podcast summaries

To listen to a short Board meeting audio summary (podcast) of previous Board meetings, [click here](#).

- other promised goods or services in the contract, and
- ii. the good or service has a distinct function.
- c. A good or service has a distinct function if either:
 - i. the entity regularly sells the good or service separately, or
 - ii. the customer can use the good or service either on its own or together with resources that are readily available to the customer.

The boards indicated their intention to be consistent with the approach in the revenue recognition project, subject to considering whether the pattern of transfer criterion is needed in this context and to future decisions on allocation. The boards will consult the Insurance Working Group on the practicality of implementing the approach being developed.

Unbundling an investment component

The boards tentatively decided that an insurer should unbundle explicit account balances that are credited with an explicit return that is based on the account balance.

The boards indicated that such an explicit account balance should be separated from an insurance contract using criteria based on those being developed in the revenue recognition project for identifying separate performance obligations. An insurer would not unbundle implicit account balances.

The boards will consider further whether an explicit account balance exists only when the policyholder can withdraw the account balance without loss of insurance coverage.

All IASB members and a majority of FASB members supported these decisions.

In addition, the IASB tentatively decided that an insurer would account for an unbundled explicit account balance in accordance with the relevant requirements for financial instruments in IFRS, subject to future decisions on allocation. All IASB members supported this decision. The FASB did not vote on this question. The boards requested the staff to consider how the decisions would apply to typical types of insurance contracts with account balances.

Next steps

The boards will continue their discussion on this project at their joint meeting on 11 May 2011.

The IASB will also discuss at its meeting on 12 May 2011 whether to use other comprehensive income for some changes in the carrying amount of insurance contract liabilities.

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