



SOCIETY OF ACTUARIES

**US GAAP for International Life Insurers – Hong Kong
June 2008**

Introduction to Day 1

[William Horbatt](#)

US GAAP for International Life Insurers

Hong Kong
June 23-25, 2008



Faculty

- Charles Carroll (US)
- Tom Herget (US)
- Bill Horbatt (US)
- Gavin Coates (UK)
- Michael Lockerman (JP)



Meeting Schedule – Day 1

- Presentations 9:00 to 10:45 Horbatt / Herget
- Break 10:45 to 11:00
- Presentations 11:00 to 12:45 Herget / Wagner
- Lunch 12:45 to 14:00
- Presentations 14:00 to 15:00 Horbatt / Lockerman / Carroll
- Break 15:00 to 15:15
- Presentations 15:15 to 17:00 Carroll / Lockerman / Horbatt
- Cocktail Reception 17:30 to 19:00



Introduction to US GAAP

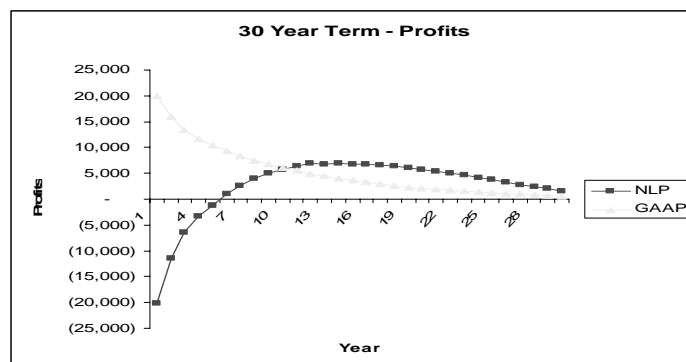


Welcome to the Magical World of US GAAP

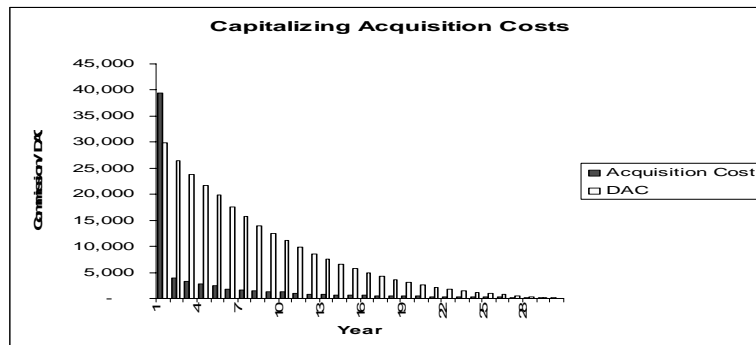
- Where timing is everything
- Where an expense is not an expense
- Where your audience is a mystical investor
- Where the rules constantly change



Emergence of Profits “Matching Principle”



Deferring Expense Recognition



Materiality

“The omission or misstatement ...it is probable that the judgment of a reasonable person relying upon the report would have been changed or influenced by the inclusion or correction of the item”

FASB Concept Statement No 2

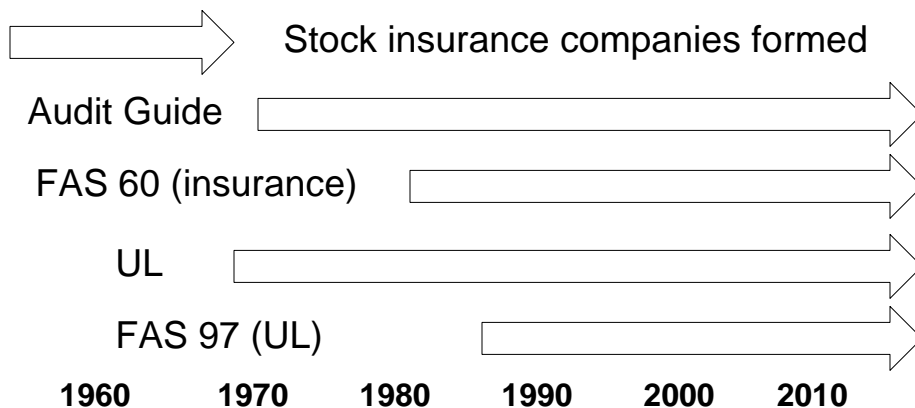


US GAAP

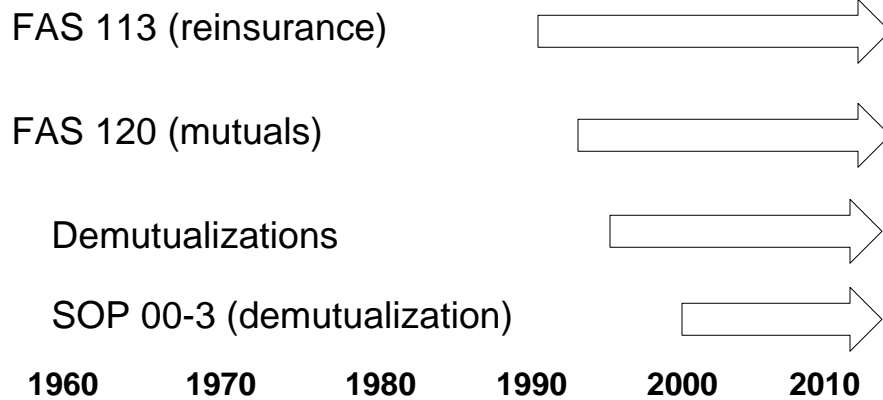
- General Purpose Reporting
 - Consistency & Comparability
 - Accurate, Reliable & Timely Information
- Continuously Evolving
 - Standard Setters



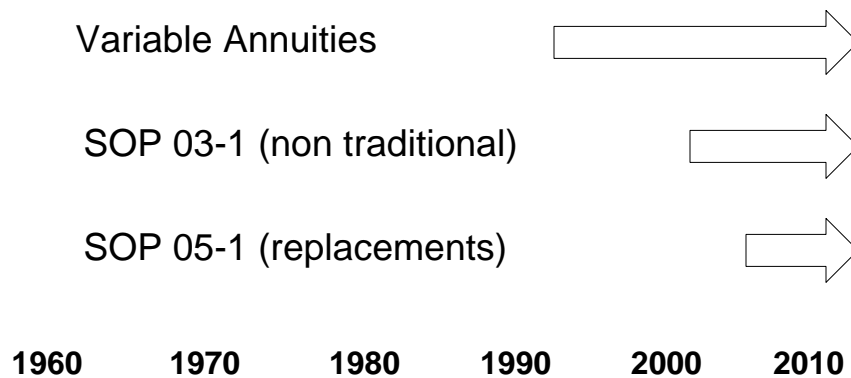
Evolution of US GAAP



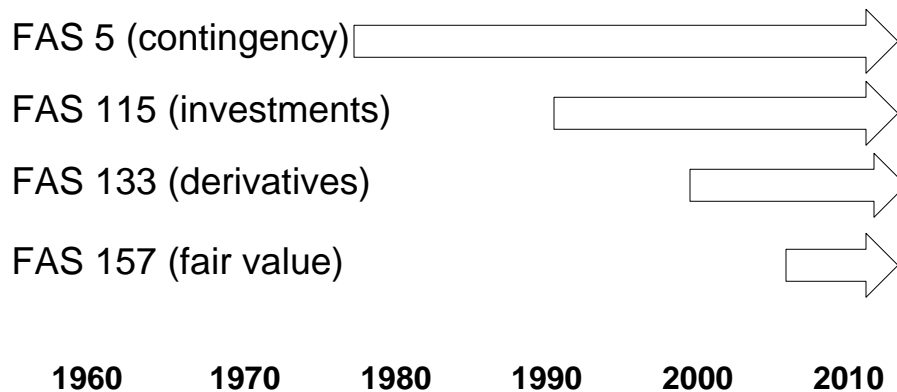
Evolution of US GAAP



Evolution of US GAAP



Evolution of US GAAP: General



Evolution of GAAP

- 1972 - Audit of Stock Life Insurance Companies
- 1982 - FASB 60, Accounting and Reporting by Insurance Enterprises
- 1987 - FASB 97, Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Realized Gains and Losses from the Sale of Investments
- 1992 - FASB 113, Accounting and Reporting for Reinsurance of Short-Duration and Long-Duration Contracts
- 1993 - FASB 115, Accounting and Reporting for Certain Investments in Debt and Equity Securities
- 1995 - FASB 120, Accounting and Reporting by Mutual Life Insurance Enterprises



Evolution of GAAP - continued

- 2000 - SOP 00-3, Accounting by Insurance Enterprises for Demutualizations and Formations of Mutual Insurance Holding Companies and for Certain Long-Duration Participating Contracts
- 2001 - FASB 133, Accounting for Derivative Instruments and Hedging Activities
- 2003 – SOP 03-1, Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts
- 2005 – SOP 05-1, Accounting by Insurance Enterprises for Deferred Acquisition Costs in Connection With Modifications or Exchanges of Insurance Contracts
- 2006 – FAS 157, Fair Value Measurements



Standard Setters



GAAP Hierarchy

1. FASB Current Text, APB Opinions, AICPA ARB
2. FASB Technical Bulletins
FASB Approved: AICPA Publications – Audit Guides, SOP's
3. FASB EITF (concurrence)
FASB approved: AcSEC PB
4. Other



Topics – Day 1

- Expenses (FAS 60)
- Traditional Life & Health Products (FAS 60, 97)
- Universal Life Insurance (FAS 97)
- Participating Contracts (FAS 120)
- Pay out Annuities (FAS 60)
- Investment Accounting & Shadow Adjustments (FAS 115)
- Investment Contracts (FAS 97)

