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The Geneva Association - General Secretariat - 53, route de Malagnou - CH-1208 Geneva
Tel.: +41-22-707 66 00 - Fax: +41-22-736 75 36 - secretariat@genevaassociation.org - www.genevaassociation.org

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Layout & Distribution: Valéria Kozakova

Accounting Issues

Henry Siegel


I am speaking for
myself today.





Key Issues

- Revenue Recognition
- Statement Presentation
- Discount Rate and Margins



Revenue Recognition

- To be issued Dec 18
- Unclear how it applies
- Basic principles
 - No gain at issue
 - Allocate revenue based on customer obligation
- Application to insurance
 - Only scoped out if there's a reason
 - May not use same allocation method for insurance
 - May have unlocked BEL but not margins



Statement Presentation

- Industry is just starting discussion
- Practicalities need accountant input
- Preliminary (i.e. my) observations
 - Split between Operating, Investing and Financing is OK
 - Additional analyses specific to insurance is needed



Discount Rate and Margins

- Risk Free vs. Corporate Rate
 - Volatility implications are significant
- Calibration to no gain at issue
- Day 2 issues
 - Release from risk
- Cost of Capital
 - Needs to be calibrated



In Summary

- Lots of agreement within the industry
- Need to coordinate with other projects
- Need to avoid replicating problems with mortgage bonds