

**Statement of
Financial Accounting Standards
No. 40**

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Translated by

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Statement of Financial Accounting Standards No. 40

Insurance Contracts

I Objective

- (1) This Standard establishes the accounting standards for insurance contracts transactions.
- (2) The objective of this Standard is to:
 - (a) improve the insurer's accounting of the insurance contract transactions.
 - (b) require disclosure that identifies and explains the amounts in an insurer's financial statements arising from insurance contracts and helps users of those financial statements understand the amount, timing and uncertainty of future cash flows from insurance contracts.

II Scope

- (3) An entity shall apply this Standard to:
 - (a) insurance contracts (including reinsurance contracts) that it issues,
 - (b) reinsurance contracts that it holds,
 - (c) financial instruments that it issues with a discretionary participation feature.

- (4) This Standard does not address other aspects of accounting by insurers, such as accounting for financial assets held by insurers and financial liabilities issued by insurers, except in the transitional provisions in paragraph 43.
- (5) An entity shall not apply this Standard to:
- (a) product or service warranties issued directly by an entity (see the Statement of Financial Accounting Standards No. 9 *Contingencies and Subsequent Events* and the Statement of Financial Accounting Standards No.32 *Revenue*).
 - (b) employers' assets and liabilities under employee benefit plans (see the Statement of Financial Accounting Standards 18 *Accounting for Pensions* and the Statement of Financial Accounting Standards No.39 *Share-based Payment*).
 - (c) contractual rights or contractual obligations that are contingent on the future use of, or right to use, a non-financial item (for example, some licence fees, royalties, contingent lease payments and similar items), as well as a lessee's residual value guarantee embedded in a finance lease (see the Statement of Financial Accounting Standards No. 2 *Leases*, the Statement of Financial Accounting Standards No. 32 *Revenue* and the Statement of Financial Accounting Standards No. 37 *Intangible Assets*).
 - (d) financial guarantee contracts. The issuer may elect to apply either of the two:
 - (i) The Statement of Financial Accounting Standards No. 33 *Accounting for Transfers of Financial Assets and Extinguishments of Liabilities*, the Statement of Financial Accounting Standards No. 34 *Financial Instruments: Recognition and Measurement*, or the Statement of Financial Accounting Standards No. 37 *Intangible Assets*.

- (ii) This Standard.

The issuer may make that election contract by contract, but the election for each contract is irrevocable.

- (e) contingent consideration payable or receivable in a business combination (see the Statement of Financial Accounting Standards No. 25 *Business Combinations*).
 - (f) direct insurance contracts that the policyholder holds. However, a cedant shall apply this Standard to reinsurance contracts that it holds.
- (6) This Standard describes any entity that issues an insurance contract as an insurer, whether or not the issuer is regarded as an insurer for legal or supervisory purposes.
- (7) A reinsurance contract is a type of insurance contract. Accordingly, all references in this Standard to insurance contracts also apply to reinsurance contracts.

Embedded derivatives

- (8) The Statement of Financial Accounting Standards No. 34 *Financial Instruments: Recognition and Measurement* requires an entity to separate some embedded derivatives from their host contract, measure them at fair value and include changes in their fair value in profit or loss. The Statement of Financial Accounting Standards No. 34 *Financial Instruments: Recognition and Measurement* applies to derivatives embedded in an insurance contract unless the embedded derivative is itself an insurance contract.
- (9) As an exception to the requirement in the Statement of Financial Accounting Standards No. 34 *Financial Instruments: Recognition and Measurement*, an insurer need not separate, and measure at fair value, a policyholder's option to surrender an insurance contract for a fixed amount (or for an amount based on a fixed amount and an interest rate), even if the exercise price differs

from the carrying amount of the host insurance liability. However, the requirement in the Statement of Financial Accounting Standards No. 34 *Financial Instruments: Recognition and Measurement* does apply to a put option or cash surrender option embedded in an insurance contract if the surrender value varies in response to the change in a financial variable (such as an equity or commodity price or index), or a non-financial variable that is not specific to a party to the contract. Furthermore, that requirement also applies if the holder's ability to exercise a put option or cash surrender option is triggered by a change in such a variable (for example, a put option that can be exercised if a stock market index reaches a specified level).

- (10) Paragraph 9 applies equally to options to surrender a financial instrument containing a discretionary participation feature.

Unbundling of deposit components

- (11) Some insurance contracts contain both an insurance component and a deposit component. An insurer is required to unbundle the deposit component:

- (a) unbundling is required if both the following conditions are met:
- (i) the insurer can measure the deposit component (including any embedded surrender options) separately.
 - (ii) the insurer's accounting policies do not otherwise require it to recognise all obligations and rights arising from the deposit component.
- (b) unbundling is permitted, but not required, if the insurer can measure the deposit component separately as in (a)(i) but its accounting policies require it to recognise all obligations and rights arising from the deposit component, regardless of the basis used to measure those rights and obligations.

- (c) unbundling is prohibited if an insurer cannot measure the deposit component separately.
- (12) The following is an example of a case when an insurer's accounting policies do not require it to recognise all rights and obligations arising from a deposit component. A cedant receives compensation for losses from a reinsurer, but the contract obliges the cedant to repay the compensation in future years. That obligation arises from a deposit component. If the cedant's accounting policies would otherwise permit it to recognise the compensation as income without recognising the resulting obligation, unbundling is required.
- (13) To unbundle a contract, an insurer shall apply this Standard to the insurance component and apply the Statement of Financial Accounting Standards No. 33 *Accounting for Transfers of Financial Assets and Extinguishments of Liabilities*, the Statement of Financial Accounting Standards No. 34 *Financial Instruments: Recognition and Measurement*, and the Statement of Financial Accounting Standards No. 36 *Financial Instruments: Disclosure and Presentation* to the deposit component.

III Recognition and measurement

Basic requirements

- (14) An insurer:
- (a) shall not recognise as a liability any provisions for possible future claims, if those claims arise under insurance contracts that are not in existence at the end of the reporting period (such as catastrophe provisions and equalization provisions).
 - (b) shall carry out the liability adequacy test described in

paragraphs 15–19.

- (c) shall remove an insurance liability (or a part of an insurance liability) from its statement of financial position when, and only when, it is extinguished—ie when the obligation specified in the contract is discharged or cancelled or expires.
- (d) shall not offset reinsurance assets against the related insurance liabilities; or income or expense from reinsurance contracts against the expense or income from the related insurance contracts.
- (e) shall consider whether its reinsurance assets are impaired (see paragraph 20).

Liability adequacy test

- (15) **An insurer shall assess at the end of each reporting period whether its recognized insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities (less related deferred acquisition costs and related intangible assets, such as those discussed in paragraphs 29 and 30) is inadequate, the entire deficiency shall be recognised in profit or loss.**
- (16) If an insurer applies a liability adequacy test that meets specified minimum requirements, the insurer needs not follow the requirements of paragraph 17. The minimum requirements are the following:
 - (a) The test considers current estimates of all contractual cash flows, and of related cash flows such as claims handling costs, as well as cash flows resulting from embedded options and guarantees.

- (b) If the test shows that the liability is inadequate, the entire deficiency is recognised in profit or loss.
- (17) If an insurer's accounting policies do not require a liability adequacy test that meets the minimum requirements of paragraph 16, the insurer shall:
- (a) determine the carrying amount of the relevant insurance liabilities less the carrying amount of:
 - (i) any related deferred acquisition costs; and
 - (ii) any related intangible assets, such as those acquired in a business combination or portfolio transfer (see paragraphs 29 and 30). However, related reinsurance assets are not considered because an insurer accounts for them separately.
 - (b) determine whether the amount described in (a) is less than the best estimate of the expenditure required to settle the present obligation at the balance sheet date. The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the balance sheet date or to transfer it to a third party at that time, taken into account risks and uncertainties. In addition, impacts from the following shall be taken into account:
 - (i) Present value. Where the effect of the time value of money is material, the amount shall be the present value. The discount rate (or rates) shall be a pre-tax rate (or rates) that reflect(s) current market assessments of the time value of money and the risks specific to the liability. The discount rate(s) shall not reflect risks for which future cash flow estimates have been adjusted.
 - (ii) Future events. Future events that may affect the amount required to settle an obligation shall be

reflected in the amount of the estimate where there is sufficient objective evidence that they will occur.

If the amount described in (a) is less than the best estimate, the insurer shall recognise the entire difference in profit or loss and decrease the carrying amount of the related deferred acquisition costs or related intangible assets or increase the carrying amount of the relevant insurance liabilities.

- (18) If an insurer's liability adequacy test meets the minimum requirements of paragraph 16, the test is applied at the level of aggregation specified in that test. If its liability adequacy test does not meet those minimum requirements, the comparison described in paragraph 17 shall be made at the level of a portfolio of contracts that are subject to broadly similar risks and managed together as a single portfolio.
- (19) The amount described in paragraph 17(b) shall reflect future investment margins if, and only if, the amount described in paragraph 17(a) also reflects those margins.

Impairment of reinsurance assets

- (20) If a cedant's reinsurance asset is impaired, the cedant shall reduce its carrying amount accordingly and recognise that impairment loss in profit or loss. A reinsurance asset is impaired if, and only if:
- (a) there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the cedant may not receive all amounts due to it under the terms of the contract; and
 - (b) that event has a reliably measurable impact on the amounts that the cedant will receive from the reinsurer.

Changes in accounting policies

- (21) **An insurer may change its accounting policies for insurance contracts if, and only if, the change makes the financial statements more relevant to the economic decision-making needs of users and no less reliable, or more reliable and no less relevant to those needs. An insurer shall judge relevance and reliability by the criteria in the Statement of Financial Accounting Standards No. 1 *Conceptual Framework for Financial Accounting and Preparation of Financial Statements.***

When an insurer changes its accounting policies for insurance liabilities, it is permitted, but not required, to reclassify some or all of its financial assets as at fair value through profit or loss. This reclassification is permitted if an insurer changes accounting policies in accordance with the Statement of Financial Accounting Standards No. 8 *Accounting Policies, Changes in Accounting Estimates and Errors.*

Current market interest rates

- (22) An insurer is permitted, but not required, to change its accounting policies so that it remeasures designated insurance liabilities to reflect current market interest rates and recognises changes in those liabilities in profit or loss. At that time, it may also introduce accounting policies that require other current estimates and assumptions for the designated liabilities. The election in this paragraph permits an insurer to change its accounting policies for designated liabilities, without applying those policies consistently to all similar liabilities. If an insurer designates liabilities for this election, it shall continue to apply current market interest rates (and, if applicable, the other current estimates and assumptions) consistently in all periods to all these liabilities until they are extinguished.

Continuation of existing practices

- (23) An insurer may continue the following practices, but the introduction of any of them does not satisfy paragraph 21:

- (a) measuring insurance liabilities on an undiscounted basis.
- (b) measuring contractual rights to future investment management fees at an amount that exceeds their fair value as implied by a comparison with current fees charged by other market participants for similar services. It is likely that the fair value at inception of those contractual rights equals the origination costs paid, unless future investment management fees and related costs are out of line with market comparables.
- (c) using non-uniform accounting policies for the insurance contracts (and related deferred acquisition costs and related intangible assets, if any) of subsidiaries, except as permitted by paragraph 22. If those accounting policies are not uniform, an insurer may change them if the change does not make the accounting policies more diverse and also satisfies the other requirements in this Standard.

Prudence

- (24) An insurer need not change its accounting policies for insurance contracts to eliminate excessive prudence. However, if an insurer already measures its insurance contracts with sufficient prudence, it shall not introduce additional prudence.

Future investment margins

- (25) An insurer need not change its accounting policies for insurance contracts to eliminate future investment margins. However, there is a rebuttable presumption that an insurer's financial statements will become less relevant and reliable if it introduces an accounting policy that reflects future investment margins in the measurement of insurance contracts, unless those margins affect the contractual payments. Two examples of accounting policies that reflect those margins are:

- (a) using a discount rate that reflects the estimated return on the insurer's assets in the measurement of the liability; or
 - (b) projecting the returns on those assets at an estimated rate of return, discounting those projected returns at a different rate and including the result in the measurement of the liability.
- (26) An insurer may overcome the rebuttable presumption described in paragraph 25 if, and only if, the other components of a change in accounting policies increase the relevance and reliability of its financial statements sufficiently to outweigh the decrease in relevance and reliability caused by the inclusion of future investment margins. For example, suppose that an insurer's existing accounting policies for insurance contracts involve excessively prudent assumptions set at inception and a discount rate prescribed by a regulator without direct reference to market conditions, and ignore some embedded options and guarantees. The insurer might make its financial statements more relevant and no less reliable by switching to a comprehensive investor-oriented basis of accounting that is widely used and involves:
- (a) current estimates and assumptions;
 - (b) a reasonable (but not excessively prudent) adjustment to reflect risk and uncertainty;
 - (c) measurements that reflect both the intrinsic value and time value of embedded options and guarantees; and
 - (d) a current market discount rate, even if that discount rate reflects the estimated return on the insurer's assets.
- (27) In some measurement approaches, the discount rate is used to determine the present value of a future profit margin. That profit margin is then attributed to different periods using a formula. In those approaches, the discount rate affects the measurement of

the liability only indirectly. In particular, the use of a less appropriate discount rate has a limited or no effect on the measurement of the liability at inception. However, in other approaches, the discount rate determines the measurement of the liability directly. In the latter case, because the introduction of an asset-based discount rate has a more significant effect, it is highly unlikely that an insurer could overcome the rebuttable presumption described in paragraph 25.

Shadow accounting

(28) In some accounting models, realised gains or losses on an insurer's assets have a direct effect on the measurement of some or all of (a) its insurance liabilities, (b) related deferred acquisition costs and (c) related intangible assets, such as those described in paragraphs 29 and 30. An insurer is permitted, but not required, to change its accounting policies so that a recognised but unrealised gain or loss on an asset affects those measurements in the same way that a realised gain or loss does. The related adjustment to the insurance liability (or deferred acquisition costs or intangible assets) shall be recognised in equity if, and only if, the unrealised gains or losses are recognised in equity. This practice is sometimes described as 'shadow accounting'.

Insurance contracts acquired in a business combination or portfolio transfer

(29) To comply with the Statement of Financial Accounting Standards No. 25 *Business Combinations*, an insurer shall, at the acquisition date, measure at fair value the insurance liabilities assumed and insurance assets acquired in a business combination. However, an insurer is permitted, but not required, to use an expanded presentation that splits the fair value of acquired insurance contracts into two components:

- (a) a liability measured in accordance with the insurer's accounting policies for insurance contracts that it issues; and

- (b) an intangible asset, representing the difference between (i) the fair value of the contractual insurance rights acquired and insurance obligations assumed and (ii) the amount described in (a). The subsequent measurement of this asset shall be consistent with the measurement of the related insurance liability.

(30) An insurer acquiring a portfolio of insurance contracts may use the expanded presentation described in paragraph 29(b).

(31) The intangible assets described in paragraphs 29 and 30 are excluded from the scope of the Statement of Financial Accounting Standards No. 35 *Impairment of Assets* and the Statement of Financial Accounting Standards No. 37 *Intangible Assets* except for the disclosure requirement which the Statement of Financial Accounting Standards No. 37 *Intangible Assets* shall be followed. However, the Statement of Financial Accounting Standards No. 35 and the Statement of Financial Accounting Standards No. 37 apply to customer lists and customer relationships reflecting the expectation of future contracts that are not part of the contractual insurance rights and contractual insurance obligations that existed at the date of a business combination or portfolio transfer.

Discretionary participation features

Discretionary participation features in insurance contracts

(32) Some insurance contracts contain a discretionary participation feature as well as a guaranteed element. The issuer of such a contract:

- (a) may, but need not, recognise the guaranteed element separately from the discretionary participation feature. If the issuer does not recognise them separately, it shall classify the whole contract as a liability. If the issuer classifies them separately, it shall classify the guaranteed element as a liability.

- (b) shall, if it recognises the discretionary participation feature separately from the guaranteed element, classify that feature as either a liability or a separate component of equity. This Standard does not specify how the issuer determines whether that feature is a liability or equity. The issuer may split that feature into liability and equity components and shall use a consistent accounting policy for that split. The issuer shall not classify that feature as an intermediate category that is neither liability nor equity.
- (c) may recognise all premiums received as revenue without separating any portion that relates to the equity component. The resulting changes in the guaranteed element and in the portion of the discretionary participation feature classified as a liability shall be recognised in profit or loss. If part or all of the discretionary participation feature is classified in equity, a portion of profit or loss may be attributable to that feature (in the same way that a portion may be attributable to non-controlling interests). The issuer shall recognise the portion of profit or loss attributable to any equity component of a discretionary participation feature as adjustments in equity, not as expense or income.
- (d) shall, if the contract contains an embedded derivative within the scope of the Statement of Financial Accounting Standards No. 34 *Financial Instruments: Recognition and Measurement*, apply the Statement of Financial Accounting Standards No. 34 to that embedded derivative.
- (e) shall, in all respects not described in paragraphs 14-20 and 32(a)-(d), continue its existing accounting policies for such contracts, unless it changes those accounting policies in a way that complies with paragraphs 21-28.

Discretionary participation features in financial instruments

- (33) The requirements in paragraph 32 also apply to a financial instrument that contains a discretionary participation feature. In addition:
 - (a) if the issuer classifies the entire discretionary participation feature as a liability, it shall apply the liability adequacy test in paragraphs 15-19 to the whole contract (ie both the guaranteed element and the discretionary participation feature). The issuer need not determine the amount that would result from applying the Statement of Financial Accounting Standards No. 34 *Financial Instruments: Recognition and Measurement* to the guaranteed element.
 - (b) if the issuer classifies part or all of that feature as a separate component of equity, the liability recognised for the whole contract shall not be less than the amount that would result from applying the Statement of Financial Accounting Standards No. 34 *Financial Instruments: Recognition and Measurement* to the guaranteed element. That amount shall include the intrinsic value of an option to surrender the contract, but need not include its time value if paragraph 9 exempts that option from measurement at fair value. The issuer need not disclose the amount that would result from applying the Statement of Financial Accounting Standards No. 34 *Financial Instruments: Recognition and Measurement* to the guaranteed element, nor need it present that amount separately. Furthermore, the issuer need not determine that amount if the total liability recognised is clearly higher.
 - (c) although these contracts are financial instruments, the issuer may continue to recognise the premiums for those contracts as revenue and recognise as an expense the resulting increase in the carrying amount of the liability.
 - (d) although these contracts are financial instruments, an issuer applying paragraph 121(g)(i) of the Statement of Financial Accounting Standards No. 36 *Financial Instruments: Disclosure and Presentation* to contracts with a discretionary

participation feature shall disclose the total interest expense recognised in profit or loss, but need not calculate such interest expense using the effective interest method.

IV Disclosure

Explanation of recognised amounts

(34) An insurer shall disclose information that identifies and explains the amounts in its financial statements arising from insurance contracts.

(35) To comply with paragraph 34, an insurer shall disclose:

(a) its accounting policies for insurance contracts and related assets, liabilities, equity, income and expense.

(b) the recognised assets, liabilities, equity, income and expense (and, if it presents its statement of cash flows using the direct method, cash flows) arising from insurance contracts. Furthermore, if the insurer is a cedant, it shall disclose:

(i) gains and losses recognised in profit or loss on buying reinsurance; and

(ii) if the cedant defers and amortises gains and losses arising on buying reinsurance, the amortisation for the period and the amounts remaining unamortised at the beginning and end of the period.

(c) the process used to determine the assumptions that have the greatest effect on the measurement of the recognised amounts described in (b). When practicable, an insurer shall also give quantified disclosure of those assumptions.

- (d) the effect of changes in assumptions used to measure insurance assets and insurance liabilities, showing separately the effect of each change that has a material effect on the financial statements.
- (e) reconciliations of changes in insurance liabilities, reinsurance assets and, if any, related deferred acquisition costs.

Nature and extent of risks arising from insurance contracts

- (36) An insurer shall disclose information that enables users of its financial statements to evaluate the nature and extent of risks arising from insurance contracts.
- (37) To comply with paragraph 36, an insurer shall disclose:
- (a) its objectives, policies and processes for managing risks arising from insurance contracts and the methods used to manage those risks.
 - (b) information about insurance risk (both before and after risk mitigation by reinsurance), including information about:
 - (i) sensitivity to insurance risk (see paragraph 38).
 - (ii) concentrations of insurance risk, including a description of how management determines concentrations and a description of the shared characteristic that identifies each concentration (eg type of insured event, geographical area, or currency).
 - (iii) actual claims compared with previous estimates (ie claims development). The disclosure about claims development shall go back to the period when the earliest material claim arose for which there is still

uncertainty about the amount and timing of the claims payments, but need not go back more than ten years. An insurer need not disclose this information for claims for which uncertainty about the amount and timing of claims payments is typically resolved within one year.

- (c) information about credit risk, liquidity risk and market risk that were within the scope of the Statement of Financial Accounting Standards No. 36 *Financial Instruments: Disclosure and Presentation*.
 - (d) information about exposures to market risk arising from embedded derivatives contained in a host insurance contract if the insurer is not required to, and does not, measure the embedded derivatives at fair value.
- (38) To comply with paragraph 37(b)(i), an insurer shall disclose either (a) or (b) as follows:
- (a) a sensitivity analysis that shows how profit or loss and equity would have been affected if changes in the relevant risk variable that were reasonably possible at the end of the reporting period had occurred; the methods and assumptions used in preparing the sensitivity analysis; and any changes from the previous period in the methods and assumptions used. However, if an insurer uses an alternative method to manage sensitivity to market conditions, such as an embedded value analysis, it may meet this requirement by disclosing that alternative sensitivity analysis and an explanation of the method used in preparing such a sensitivity analysis, and of the main parameters, assumptions and limitations.
 - (b) qualitative information about sensitivity, and information about those terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of the insurer's future cash flows.

V Effective date and transition

- (39) This Standard was issued on December 4, 2008 and shall be effective for financial statements with fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted.
- (40) An entity need not apply the disclosure requirements in paragraphs 34 to 38 in this Standard to comparative information that relates to annual periods beginning before 1 January 2011, except for the disclosures required by paragraph 35(a) and (b) about accounting policies, and recognised assets, liabilities, equity, income and expense (and cash flows if the direct method is used).
- (41) The transitional provisions below apply to an entity that applies this Standard for the first-time:
- (a) at the beginning of the annual period when an entity first applies this Standard, paragraph 11 of this Standard shall be applied to unbundle the deposit component of the insurance contract and to remeasure its amortized cost. The difference between the remeasured amount and the original liability recognized for the deposit component shall be recognized as the cumulative effect of accounting change. A reclassification shall be made for the deposit component of the insurance contract, in accordance with paragraph 11 of this Standard, for the comparative information that relates to annual period when an entity first applies this Standard.
- (b) paragraph 14(a) shall not be applied if those catastrophe and equalization provisions are provided under insurance contracts that are in existence when an entity first applies this Standard.
- (c) an insurer shall carry out the liability adequacy test described in paragraphs 15–19 when it first applies this Standard. If that assessment shows that the carrying amount of its insurance liabilities is inadequate, the entire

- deficiency shall be recognised as cumulative effective of accounting change.
- (d) when an entity first applies this Standard for comparative financial statements, the entity shall apply paragraph 14(d) of this Standard to reclassify the related reinsurance assets, insurance liabilities, or income or expense from reinsurance contracts against the expense or income from the related insurance contracts for comparative information and disclosures.
- (e) when an entity first applies this Standard for comparative financial statements, the entity shall apply paragraphs 32 and 33 of this Standard for insurance contracts contain a discretionary participation feature. If the entity reclassifies the discretionary participation feature as a separate component of equity for the comparative information, the relevant income or expense of the comparative period shall be reclassified as adjustments in equity.
- (42) In applying paragraph 37(b)(iii), an entity need not disclose information about claims development that occurred earlier than five years before the end of the first financial year in which it applies this Standard. Furthermore, if it is impracticable, when an entity first applies this Standard, to prepare information about claims development that occurred before the beginning of the earliest period for which an entity presents full comparative information that complies with this Standard, the entity shall disclose that fact.
- (43) When an insurer changes its accounting policies for insurance liabilities, it is permitted, but not required, to reclassify some or all of its financial assets as 'at fair value through profit or loss'. This reclassification is permitted if an insurer changes accounting policies when it first applies this Standard and if it makes a subsequent policy change permitted by paragraph 21. The reclassification is a change in accounting policy and the Statement

of Financial Accounting Standards No. 8 *Accounting Policies, Changes in Accounting Estimates and Errors* applies.

- (44) At the effective date of this Standard, the following paragraphs of respective Standards shall be amended as follows:
- (a) paragraph 2 of the Statement of Financial Accounting Standards No. 35 *Impairment of Assets* shall be amended as “2 ...
 - (h) Deferred acquisition costs, and intangible assets, arising from insurance contracts (follow the principles set out in the Statement of Financial Accounting Standards No. 40, *Insurance Contracts*)”
 - (b) paragraph 3 of the Statement of Financial Accounting Standards No. 37 *Intangible Assets* shall be amended as “3 ...
 - (k) Deferred acquisition costs, and intangible assets, arising from insurance contracts (in compliance with Statement of Financial Accounting Standards No. 40, *Insurance Contracts*). However, the disclosure requirements in this Standard apply to those intangible assets.”

The provisions of this Standard need not be applied to immaterial items.