August 24, 2020

File Reference No. 2020-400
FASB Technical Director
401 Merritt 7, PO Box 5116 Norwalk,
CT 06856-5116

Re: Proposed ASU: “Financial Services – Insurance (Topic 944), Effective Date and Early Application” (File Reference No. 2020-400)

Dear Technical Director:

The Accounting Principles and Auditing Standards Committee (the “Committee”) of the Florida Institute of Certified Public Accountants (FICPA) respectfully submits its comments on the referenced proposal. The Committee is a technical committee of the FICPA and has reviewed and discussed the above referenced proposed ASU. The FICPA has more than 19,600 members, with its membership comprised primarily of CPAs in public practice and industry. The Committee is comprised of 26 members, of whom 42% are from local or regional firms, 19% are from large multi-office firms, 19% are sole practitioners, 4% are in international firms, 8% are in education, and 8% in industry. The Committee has the following comments related to the questions numbered below:

Question 1 – Effective Date: Should the effective date of LDTI be deferred for all insurance entities by one year?

Comment: The Committee agrees that the effective date of LDTI for public businesses that meet the definition of an SEC filer should be deferred for one year to fiscal years beginning after December 15, 2022 and that the effective date of LDTI for all other insurance entities should be deferred one year to fiscal years beginning after December 15, 2024. The Committee agrees that, although most insurance entities may not have experienced major delays in implementation timelines, the disruption caused by the COVID-19 pandemic has resulted in work inefficiencies for some. Given the financial reporting requirements of the amendments, such inefficiencies could have a significant impact. The Committee notes the Board’s reference to those insurance entities that have not yet fully completed milestones in the early stages of implementation due to the significant effect of COVID-19. Finally, the Committee believes that disruptions caused by COVID-19 may have resulted in an overall shift in priorities for many types of organizations in the short-term; thus, a deferral of one year for this proposal seems practical.

Question 2 – Early Application: Does the proposed alignment of the early application transition date and the standard transition date achieve the Board’s objective of facilitating early application of LDTI by certain entities to encourage accelerated delivery of information to financial statement users?

Comment: The Committee believes that the proposed alignment of the early application transition date and the standard transition date will achieve the Board’s objective of facilitating early application of LDTI primarily for insurance entities that are SEC filers. The Committee believes early application of the proposed ASU by SEC filers is critical, noting the comments of Ms. Botoson in reference to the lack of timely, transparent and useful information provided by the largest public long-duration insurers under the current accounting model, as well as the longer-term effects of COVID-19 and lower interest rates (i.e. lower return on assets invested; higher liabilities for future policy benefits) on the financial health of insurers.
By amending the early application transition date from the beginning of the earliest period presented to the beginning of the prior year presented, the Board has reduced the number of years to present the financial impact of the LDTI transition adjustment in the profit and loss statements of the insurance entities that are SEC filers from three to two, thereby simplifying the implementation process. This would provide insurance entities that are SEC filers with an incentive for early application. However, the Committee does not believe the same incentive would generally apply to insurance entities that are not SEC filers. Typically, such entities are only required to provide current year and prior year profit and loss statements in their financial statements; thus, the alignment does not significantly impact their implementation processes and timelines. Furthermore, the Committee believes that insurance entities that are not SEC filers, with a deferred effective date of fiscal years beginning after December 15, 2024, may not have the adoption of the proposal “on their radars,” especially in the current COVID-19 environment.

The Committee appreciates this opportunity to respond to the proposed Accounting Standards Update. Members of the Committee are available to discuss any questions or concerns raised by this response.

Respectfully submitted,

Trey M Bruce, Esq., CFE, CPA, LL.M.
Chairman

Committee members coordinating this response:

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