Proposed Accounting Standards Update, Insurance (Topic 944): Effective Date and Early Application (File Reference No. 2020-400)

We appreciate the opportunity to comment on the Proposed Accounting Standards Update, Insurance (Topic 944): Effective Date and Early Application, (proposal) issued by the Financial Accounting Standards Board (FASB or Board).

We support the FASB’s proposal to defer the effective dates for the new standard on accounting for long-duration insurance contracts. The challenge associated with transition to this standard has been magnified for insurance entities affected by the business disruptions caused by the COVID-19 pandemic.

We commend the Board for addressing stakeholder issues in a timely manner. Our responses to the questions in the proposal are in the attached Appendix.

We would be pleased to discuss our comments with the Board or the FASB staff at its convenience.

Very truly yours,

[Signature]
Appendix — Responses to Questions for Respondents in the FASB’s proposal

Effective date

Question 1: Should the effective date of LDTI be deferred for all insurance entities by one year? Please explain.

We believe that the effective date for the new standard on accounting for long-duration insurance contracts should be deferred for all insurance entities by one year. The deferral would provide the entities with more time to address existing and potential future business disruptions caused by the COVID-19 pandemic that would affect implementation timelines.

Other comments related to the effective date

The Board should consider shortening the period between the smaller reporting company (SRC) determination date and the proposed deferred effective date. The guidance now requires an entity to determine whether it is eligible to be an SRC based on its most recent determination as of 15 November 2019, in accordance with Securities and Exchange Commission (SEC) regulations. We understand the Board’s rationale for setting a determination date was to prevent an entity from having to reassess its determination of the applicable effective date. However, since the proposal would expand the period between 15 November 2019 and the standard’s effective date by a year, we believe the SRC determination date should be changed to shorten the period between the SRC determination date and the proposed effective date.

Early application

Question 2: 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? Please explain.

The Board should focus on feedback from preparers when evaluating whether the proposal would encourage early application of the standard.

Other comments related to the transition provisions

We believe the transition provisions in the proposal could have an unintended consequence for non-public subsidiaries of registrants that are not SRCs. The proposal would require a non-public subsidiary that prepares standalone financial statements to have two transition dates (one for the consolidated financial statements and another for the standalone financial statements).

Consider the example of a non-public subsidiary of a registrant that adopts the guidance as of the revised effective date of 1 January 2023. The registrant (and non-public subsidiary within the registrant’s consolidated financial statements) would have a transition date of 1 January 2021, while the non-public subsidiary would have a transition date of 1 January 2022 for any standalone financial statements. The different transition dates would result in different measurement amounts and a substantial amount of additional work.
We believe the Board should revise the transition date provisions for non-public subsidiaries so that a non-public subsidiary can elect to align the transition date of its standalone financial statements with that of the consolidated financial statements of its registrant parent.

Additionally, if the Board decides to revise the transition date provisions for non-public subsidiaries as suggested above (i.e., such that the transition date precedes the earliest period presented in the standalone financial statements), we believe the Board should also revise the transition disclosures required in paragraph 944-40-65-2g and 65-2h for non-public subsidiaries. Such transition disclosures should include a rollforward of relevant balances from the transition date to the earliest period presented in the financial statements and impacts to the opening balances of retained earnings and accumulated other comprehensive income for the earliest period presented in the financial statements.

Alternatively, the Board could require these entities to present two years of comparative financial statements in the year they adopt the new standard, establishing the transition date as the beginning of the earliest year presented.