December 15, 2016

Ms. Susan M. Cosper, Technical Director
File Reference No. 2016-330
Financial Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116

Dear Ms. Cosper:

Cigna Corporation appreciates the opportunity to comment on the Financial Accounting Standards Board’s (the “Board”) Proposed Accounting Standards Update of Topic 944, Targeted Improvements to the Accounting for Long-Duration Contracts (the “Proposal” or “Proposed Update”).

Cigna is one of the largest investor-owned health care and related benefits organizations in the United States, and has operations in selected international markets. Our insurance subsidiaries are major providers of medical, dental, disability, life and accident insurance and related products and services, the majority of which are offered through employers and other groups (e.g. governmental and non-governmental organizations, unions and associations). Cigna also offers Medicare and Medicaid products. In addition to these ongoing operations, Cigna has reinsurance, retirement and individual life and annuity businesses in run-off. Cigna also has separate account assets of nearly $8 billion, comprising approximately 15% of total consolidated assets.

Cigna applauds the Board’s efforts to improve, simplify and enhance the accounting and financial reporting for long-duration insurance contracts. We appreciate and strongly support the Board’s decision to move away from a comprehensive overhaul of the insurance accounting model and focus on targeted improvements for long-duration contracts (as covered by this Proposed Update) and enhanced disclosures for short duration contracts (as required by ASU 2015-09, Disclosures about Short-Duration Contracts). We support the Board’s overall objective of providing financial statement users with more useful information about the amount, timing and uncertainty of cash flows related to long duration insurance contracts. It is worthy to note that while the Proposed Update is characterized as targeted improvements that certainly are not the wholesale changes to the underlying accounting model initially proposed in 2013, the proposed changes do contain substantial revisions to key measurement elements that will likely result in significant financial, operational and technological impacts.

As discussed further in this letter, we agree with certain aspects of the Proposal (simplifying the amortization of deferred acquisition costs and certain enhanced disclosures) yet we believe the costs exceed the benefits for other elements of the Proposal (retrospective unlocking to contract inception, separate account and quarterly disclosures). Our responses to the individual questions posed by the Board begin on page 2. We appreciate your inquiries and would like to participate in the public Roundtable meetings during the first quarter of 2017.

Thank you for your attention to our comments. If we can provide further information or clarification of our comments, please call me (215-761-1170) or Timothy Holzli (215-761-2394).
Sincerely,

Mary T. Hoeltzel

Cigna Responses to Specific Questions Posed by the FASB

Liability for Future Policy Benefits – Contract Other Than Participating Contracts

Question 1 (Scope) – Do you agree with the scope of the proposed amendments on the accounting for the liability for future policy benefits for contracts other than participating contracts?

Yes.

Question 2 (Cash Flow Assumption Update Method and Presentation) – Do you agree that the effect of updating cash flow assumptions should be calculated and recognized on a retrospective basis in net income?

No. We believe that recognizing actual experience in the current year and changes to estimates for future years’ assumptions prospectively is a better model. To retrospectively recognize all changes (experience and assumption updates) creates significantly more complexity for preparers and will undoubtedly be difficult for users to understand. In fact, many users indicated that the retrospective application of changes to the amortization of deferred acquisition costs was unclear and confusing and, as a result, this Proposal (see question 16) introduces a prospective application of deferred acquisition cost amortization.

The determination of the liability for future policy benefits is an entity’s best estimate of the net present value of future premiums, benefits and expenses using certain assumptions. These assumptions reflect an entity’s long-term projections for expected mortality, morbidity, and surrenders for the duration of the business and may change and evolve over time as experience develops. We believe that using hindsight to retrospectively apply updated cash flow assumptions to the inception date of contracts that were issued many years ago has minimal value to investors. We believe the most useful information to users is management’s current expectation of future cash flows along with disclosure of the most important assumptions used in the valuation of the liability and the impact that changes in assumptions will have prospectively on the liability.

Furthermore, we oppose retrospective application based on its complexity and burdensome administration. Retrospective unlocking will require historical claims, expenses, premiums and discount rates to be tracked and maintained at the cohort level. This historical tracking of components is significant and much more complex than using a prospective approach. In addition, most valuation systems do not retain this history in sufficient detail, so substantial investments in technology would be required. There would also be recurring costs to monitor, assess and calculate the impact of updated assumptions at the cohort level and for historical experience to determine the cumulative catch-up adjustment required annually. Alternatively, a prospective application for changes in assumptions will ensure the entity’s net premium ratio and future policy benefit calculations going forward are appropriate, without the significant cost of capturing the relatively small impact that may be attributable to the current year.
Question 3 (Cash Flow Assumption Update Frequency) - Do you agree that the cash flow assumptions should be updated on an annual basis, at the same time every year, or more frequently if actual experience or other evidence indicates that earlier assumptions should be revised?

Yes. Updating the liability for future policy benefits with current assumptions on a consistent basis will provide users of the financial statements with a better estimate of an entity’s obligations. We agree that updating the cash flow assumptions on an annual basis, at the same time every year, is appropriate, yet we believe that an entity should also be able to consider the materiality of certain liabilities when assessing if an update is needed. In addition, we believe it is critical to allow latitude for determining the timing of such updates for each product separately. Because assumptions are to be updated at a level of aggregation that liabilities are calculated, we believe it is realistic that liabilities for different products may be updated in different periods throughout the year, as long as each update is performed at the same time every year. This is consistent with management’s current approach to efficiently use available resources for current liability experience studies and avoids an annual spike in resource demands across the industry. Such an annual demand would inflate the cost of ongoing application by necessitating external consultants to complete work timely at significantly higher rates of compensation.

In addition, while we understand the Board’s decision to remove the specific provision for adverse deviation in calculating the future policy benefit obligation as assumptions will be updated on a regular basis, we believe it is still appropriate to allow for future variability in cash flows and uncertainty. Although cash flow assumptions will be updated annually, the contracts covered by the Proposal are by nature, very long-tailed and it is not feasible to project or predict for certain adverse mortality or morbidity experience, such as has been driven by the emergence of virulent influenza strains, HIV and Ebola. The allowance of a provision for adverse deviation considers the fact that it is possible that certain adverse mortality or morbidity claim experience occurs unpredictably, particularly over the long horizon of these contracts. We urge the Board to reconsider specifically removing the provision for adverse deviation to allow companies to estimate long-tailed long duration obligations in accordance with actuarial principles and practices. We would support disclosures of the amount of additional provision for adverse deviation an entity has applied to its insurance liabilities.

Question 4 (Discount Rate Assumption) - Do you agree that the expected future cash flows should be discounted on the basis of a high-quality fixed-income instrument yield that maximizes the use of current market observable inputs?

No. While we recognize the Board’s desire to separate the underlying investment asset portfolio yield from the calculation of the related insurance liabilities, it is important to stress this is inconsistent with the underlying economics of how most insurance products are managed and priced. Insurance companies use an expectation of investment results in pricing their contracts and manage the assets and liabilities such that the future cash flows from the investment asset portfolios are used to satisfy the liabilities. We believe this approach most accurately reflects the characteristics of the insurance liability and the business economics. To assume a rate based on a high-quality fixed-income instrument could potentially result in the presentation of products in a loss position, even though they are economically profitable. In order to address concerns that the use of an entity’s investment portfolio rate reduces the true exposure, we would support enhanced discount rate disclosures that would provide more meaningful insight to financial statement users.

We do not believe that using a high-quality fixed-income instrument yield to discount expected cash flows provides the best estimate of the liability for these obligations. We appreciate the Board’s efforts and recognize the difficulty in determining a true liability rate. We acknowledge that there is no single best answer, yet we believe that the rate used to discount insurance liabilities should reflect a liquidity premium. If the Board were to maintain the high-quality fixed-income instrument yield as the appropriate discount rate, we believe at minimum, it is necessary to add an incremental liquidity risk premium to the high-quality fixed-income instrument yield.
Lastly, language was added to ASC 944-40-25-9 such that when amounts are reclassified from the liability for future policy benefits to the liability for unpaid claims upon the incurrence of a claim, the liability for unpaid claims and claim adjustment expenses is to be discounted in a similar manner. We believe this should be applicable only if the payout extends beyond one year because otherwise it introduces unnecessary complexity with little incremental benefit.

**Question 5 (Discount Rate Assumption Update Method and Presentation)** - Do you agree that the effect of updating discount rate assumptions should be recognized immediately in other comprehensive income?

Yes.

**Question 6 (Discount Rate Assumption Update Frequency)** – Do you agree that the discount rate assumptions should be updated at each reporting date?

No. Given the long duration of these products and the relatively minor changes in ultimate discount rates from quarter to quarter, we see little benefit to updating the discount rate each period. In addition, if the Board continues to view insurance liabilities as similar to pension obligations, it should be noted that discount rate assumptions for pension liabilities are updated annually or when significant transactions, such as settlements occur.

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**Liability for Future Policy Benefits – Participating Contracts**

**Question 7 (Scope – Participating Contracts)** - Do you agree with the scope of the proposed amendments on the accounting for the liability for future policy benefits for participating contracts, including closed block contracts used by a demutualized insurance entity?

Yes.

**Question 8 (Cash Flow Assumption Update Method and Presentation – Participating Contracts)** - Do you agree that the effect of updating cash flow assumptions should be calculated and recognized on a retrospective basis in net income?

No. See response to Question 2 above.

**Question 9 (Cash Flow Assumptions Update Frequency – Participating Contracts)** – Do you agree that cash flow assumptions should be updated on an annual basis, at the same time every year, or more frequently if actual experience or other evidence indicates that earlier assumptions should be revised?

Yes. See response to Question 3 above.

**Question 10 (Discount Rate Assumption – Participating Contracts)** – Do you agree that expected future cash flows should be discounted on the basis of a high-quality fixed-income instrument yield that maximizes the use of current market observable inputs?

No. Aside from the issues we have noted with the proposed use of a high-quality fixed-income instrument yield (see response to Question 4 above), we also believe that the nature of participating contracts, whereby a dividend to the policyholder is included in the liability calculation, should preclude the requirement to discount such liabilities at this rate. In a participating contract, the policyholders are “participating” in the profits of the company. Such profits are determined, in part, based on the investment yield obtained on the entity’s portfolio
of assets that support the liabilities. Therefore to use an unrelated discount rate for the calculation of the liability creates a mismatch that does not properly portray the economics of the product. We believe it is more appropriate to discount the obligation related to participating insurance contracts at a rate that demonstrates the ultimate future cash flow, in accordance with Concept Statement No. 7, Using Cash Flow Information and Present Value in Accounting Measurements.

**Question 11** (Discount Rate Assumption Update Method and Presentation – Participating Contracts) – Do you agree that the effect of updating discount rate assumptions should be recognized immediately in other comprehensive income?

Yes.

**Question 12** (Discount Rate Assumption Update Frequency – Participating Contracts) - Do you agree that discount rate assumptions should be updated at each reporting date?

No. See response to Question 6 above.

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**Market Risk Benefits**

**Question 13** (Scope) - Do you agree with the scope of the proposed amendments on the accounting for market risk benefits?

Yes, with recommended edits for clarification as detailed below:

- Paragraph 944-40-25-25C defines a market risk benefit with two criteria: one focused on investment alternatives and performance and the second focused on a benefit that protects the contract holder from adverse capital market risks. In addition, BC 62 specifically references death benefits with variability in the amount that is influenced by capital market performance and the Board’s discussions regularly referenced their intent to consider all GMXBs as market risk benefits. We support this intent and agree with the concept of Paragraph 944-10-25-25C. However, we recommend that the Board clarify their intent for guaranteed minimum death benefits by deleting the example of these benefits from paragraph 944-40-35-18, as follows:

  “That liability shall be calculated using the methodology described in paragraphs 944-40-35-8A through 35-16. For example, a reinsurance contract that assumes only the risk related to the minimum guaranteed death benefit feature for a fee that varies with the account balance rather than with the insurance coverage provided is a universal life type contract that shall be accounted for in accordance with those paragraphs.”

- We also generally support the Board’s scoping criteria in Paragraph 944-40-25-25C but recommend that the first criteria focused on investment alternatives and performance be conformed to the current definition of separate accounts in ASC 944-80-20 that identifies separate accounts as established and maintained by an insurance entity under relevant state insurance law (or similar accounts used for foreign originated products). We suggest the following edit:

  “a. Contract: The contract holder has the ability to direct funds to one or more separate account investment alternatives maintained by the insurance entity, and investment performance, net of contract fees and assessments, is passed through to the contract holder. The separate account need not be legally recognized or legally insulated from the general account liabilities of the insurance entity.”
**Question 14 (Measurement)** - Do you agree that all market risk benefits should be measured at fair value, with fair value changes attributable to a change in the instrument-specific credit risk recognized in other comprehensive income?

Yes. While we believe that applying the proposed fair value model to measure and recognize market risk benefits will demand additional time and resources, both initially and ongoing, we agree that fair value is the best existing measurement model for market risk benefits and that the Board’s proposed approach should be generally understood after sufficient user education. In addition, please note our related comments below in answer to Question 21 (Transition Methods.)

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**Deferred Acquisition Costs**

**Question 15 (Scope)** - Should the scope of the proposed amendment be expanded to include investment contract acquisition costs currently amortized using the interest method in Subtopic 310-20, Receivables – Nonrefundable Fees and Other Costs.

Yes. As noted below, we support the Proposal to simplify the amortization of deferred acquisition costs. We believe simplifying the model such that it does not vary depending on the type of product is most beneficial to users and simpler for preparers. As such, we support expanding the Proposal to include deferred acquisition costs related to investment contracts. There is minimal benefit in continuing to amortize deferred acquisition costs using the interest method for investment type contracts and we believe it is simpler and more transparent to have all deferred acquisition costs amortized using a single method.

On the topic of scope, there are also both direct and indirect references within existing GAAP that use the current amortization model. We believe the direct references, such as deferred sales inducement costs and unearned revenue liabilities, are appropriate to conform to the proposed new simplified amortization model. However, particularly for areas that are currently referenced indirectly within the codification, such as Value of Business Acquired, or VOBA, we believe it is necessary for the Board to affirm its intention to be consistent with the deferred acquisition cost amortization method, which we would support.

**Question 16 (Amortization)** - Do you agree with the proposed amendments that would simplify the amortization of deferred acquisition costs?

Yes. The current amortization model for deferred acquisition costs, with various methods depending on the type of contract, is confusing and many of the calculations are complex. We believe the proposed method of amortization, proportional to the amount of insurance in force, is reasonable. We understand that the carrying amount of deferred acquisition costs will be reduced as unexpected terminations occur and amortization rates may vary with significant changes to in-force assumptions. We agree with the Board’s decision to simplify the amortization method and avoid changes based on the profitability of the related contracts.

We also support providing flexibility in the application of insurance in-force relative to entities’ specific businesses and portfolios. This will allow for a more meaningful amortization rate, based upon the facts and circumstances of various products. For example, while a book of traditional whole life contracts can readily use the face amount of insurance in force, a book of contracts with market risk benefits might best use the number of contracts in force to avoid the fluctuating amount of insurance provided or net amount at risk.
**Question 17.** (Impairment) – Do you agree that deferred acquisition costs should not be subject to impairment testing?

No. While we understand the Boards’ basis for conclusion (such costs are akin to debt issuance costs) in determining an impairment test is not necessary for deferred acquisition costs, we believe there is a conceptual distinction from debt issuance costs in that deferred acquisition costs are related to the specific profitability of a book of business. When the related book of business is no longer generating sufficient profits, the unamortized deferred acquisition cost asset should be written down. As described in Concepts Statement No. 6, *Elements of Financial Statements*, a common characteristic possessed by all assets is their service potential or future economic benefits. In the case of deferred acquisition costs, if the related underlying book of business becomes unprofitable, there are no future economic benefits and the asset should be impaired.

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**Presentation and Disclosure**

**Question 18.** (Proposed Requirements) – Do you agree that the presentation and disclosure requirements included in the proposed amendments would provide decision-useful information?

While we appreciate and respect the need for additional decision-useful information to the users of the financial statements, we believe some of the proposed disclosure requirements are excessive and burdensome. The objective of the additional disclosures is to provide users of the financial statements with more meaningful information to evaluate the amount, timing and uncertainty of cash flows arising from long-duration contracts. Overall, we believe most of the new disclosures will provide additional meaningful information, particularly on an annual basis.

However, we do not believe that the required quarterly disclosures provide a benefit that exceeds the cost of preparation. Additional resources would be required to prepare and compile quarterly information and it is highly unlikely that the disaggregated disclosures could be completed in the required timeframe for a quarterly filing without additional time and highly compensated resources. We do not believe there is substantial additional usefulness of quarterly disclosures, particularly as assumptions will generally not be updated each quarter, unless actual experience or other evidence indicates it is necessary. In a long duration book of business, the development of experience demanding assumption changes generally occurs over an extended period of time, not from quarter to quarter, or even from year to year. When assumption changes do occur, we believe disclosure of the changes and any material impact to net profit could be provided.

We also strongly recommend that the numerous rollforward disclosures be presented net of related reinsurance recoverables to properly inform users of the most important activity. We believe this to be particularly important because books of insured business are often sold or exited via 100% indemnity reinsurance arrangements and as insurance entities modify their activities over their lifespans, there may be numerous material reinsurance transactions that, without a net of reinsurance display, would distract users of insurance information with details of reserve activity that presents nominal insurance risk for the ceding/exiting entities.

As stated above, we agree that additional annual disclosures in key areas would be beneficial to users, and provide the following suggestions and comments for the Board’s consideration:

- Liability for Future Policy Benefits and Additional Liability for Annuitzation, Death or Other Insurance Benefits
  - We do not believe it is necessary to provide a separate rollforward of the expected future net premiums and expected future net benefits and recommend providing a rollforward of this liability on a net basis. The current proposal will obscure useful information with large amounts of insignificant detail. The volume of disclosures in the annual report as proposed would expand
remarkably, particularly as these rollforwards are to be at a disaggregated level. However, users of the financial statements could still obtain meaningful insight into the amount, timing and uncertainty of cash flows if provided on a net basis.

- **Liability for Policyholders’ Account Balances**
  - We do not believe there is meaningful value to users of the financial statements in providing the detailed disclosures regarding weighted average earned and credited rates, and the range of guaranteed minimum crediting rates. We do not foresee investors using this information to project future cash flows (little benefit) and the costs to provide in terms of competitive information being disclosed is high.

- **Market Risk Benefits**
  - As noted above for the Liability for Future Policy Benefits, we do not believe that useful information is provided by a separate rollforward of attributed assessments and benefit payments for Market Risk Benefits. Management does not review this information to manage such a book of business and therefore does not believe these detailed disclosures meet the cost/benefit test for either quarterly or annual reporting.
  - We also observe that the reconciliation of market risk benefits by amounts out of the money and in the money to recorded amounts does not present useful information to predict future cash flows. Management does not maintain or review this information to manage such a book of business and does not believe these disclosures meet the cost/benefit test for either quarterly or annual reporting.
  - Paragraph 944-40-25-25C instructs that, if a long duration contract contains multiple market risk benefits, market risks are to be bundled together as a single, compound market risk benefit. For such contracts, we believe the requirements of paragraph 944-40-50-7B(a) to disaggregate rollforward and other disclosure information by type of market risk benefit are neither reasonable nor cost effective as the recognition and measurement is not disaggregated.

- **Separate Accounts**
  - We do not believe the new proposed disclosures required under 944-80-50-2 relating to separate account liabilities are necessary. Existing disclosure requirements provide information on the nature of the contracts reported in separate accounts and the fair value of assets by major investment asset category supporting the separate accounts. Particularly, given limited shareholder risk related to separate account liabilities and significant expansion in the volume of disclosures for general account insurance liabilities under this proposal, we do not believe users of the financial statements will find value or benefit in a rollforward of the separate account liabilities.

**Question 19 (Additional Requirements)** – Are there any additional presentation or disclosure requirements that would provide decision-useful information?

Yes. As discussed in our response to Question 3 above, we do not support eliminating the provision for adverse deviation in the valuation of liabilities for long-duration contracts. We would support additional qualitative and quantitative disclosures for the provision for adverse deviation an entity has applied to its long-duration insurance liabilities. As discussed in our response to Question 4 above, we believe the current investment portfolio based approach for developing discount rates used by insurance entities to value their long-duration liabilities is most appropriate. We would support additional qualitative and quantitative disclosures of the discount rates management has applied in valuing its insurance liabilities.
Effective Date and Transition

**Question 20 (Implementation Date)** - The Board is interested in understanding the key drivers affecting the timing of implementation. What are those key drivers, and how do they affect the time it will take to implement the proposed amendments?

While the Proposed Update is meant to reflect ‘targeted improvements’ to existing accounting for long-duration insurance contracts, these changes are significant and substantial in terms of time, effort and infrastructure, both initially and ongoing. They will require extensive resources as proposed because all aspects of the liability valuation process will be impacted. A key consideration in evaluating an implementation date is the transition requirements and application methodology chosen. For instance, if entities will be required to retrospectively apply the changes described to the future policy benefit liability at contract issue, this will require substantially more time to implement than if adopted as of the transition date. As noted below, there are significant concerns and difficulties likely to be encountered in applying these provisions as of contract inception date (and even for performing the work to prove that such may be impracticable). An earlier implementation date may be feasible if retrospective implementation is avoided.

From a systems perspective, many existing valuation systems do not have the capacity to store the volume of details that will be required for the proposed retrospective application. Therefore, in addition to potential data issues and the inability to obtain historical information, if the new standard also requires retrospective application of ongoing assumption changes, this will also require more time to plan and operationalize systems, processes and necessary reporting controls and audit activities.

Another consideration in evaluating the implementation date should be other new key guidance coming into effect in future years, such as the recently issued standards on Leases and Financial Instruments. We respectfully request the Board consider the significance of the changes required by these standards that will require substantial effort, resources and investment on behalf of preparers to implement. Finance, accounting and information technology resources in companies of all sizes, within all industries, will be stretched beyond capacity in upcoming years to implement these significant new pronouncements.

**Question 21 (Transition Methods)** - Are the proposed transition provisions operable and do they provide decision-useful information?

**Liability for future policy benefits:** We do not believe it will be feasible for many entities to recalculate the net premium ratio using actual historical information as of the contract issue date. While the Board has acknowledged the potential difficulties companies may face in this regard, including the age of many contracts and the lack of available detail information in existing systems, and provided guidance if this is impracticable, we recommend that applying updated assumptions to in-force contracts on the basis of their carrying amounts at the transition date should be required. This will provide for better comparability because the potential mixture of ‘at inception’ versus ‘at transition’ dates would result in inconsistencies across companies. Allowing for such diversity in practice would lead to difficulty in analyzing and understanding industry trends. By requiring all to adopt as of the transition date, this would avoid the need for companies to examine if it is impracticable to compile and update contracts at contract inception, resulting in substantially less costs to implement. We do not believe the costs of performing a detailed analysis and retrospective unlocking at contract inception provides substantial benefit or significantly more meaningful financial information to investors.

**Market risk benefits:** We agree that the market risk benefits should be measured at fair value at the transition date (that is, as of the earliest period presented).
If the Board does not alter their retrospective cumulative catch-up transition guidance, we believe that the specific transition guidance for paragraphs 944-40-65-2 (c), (d) and (e) could be simplified, while producing a similar result, by determining cumulative effects only for in-force contracts. The impacts of contracts no longer in-force have already been reported in net income and retained earnings based on actual cash flow outcomes and do not need to complicate or increase the cost of the transition process. We believe this is applicable for both future policy benefits and market risk benefits and recommend that the transition language reflect application only for in-force contracts.

Deferred acquisition costs: We agree with the transition guidance to apply the new amortization methodology for deferred acquisition costs beginning at the transition date (that is, as of the earliest period presented) based on the existing carrying amounts at that transition date, adjusted for the removal of any related amounts in accumulated other comprehensive income.

**Question 22. (Transition Disclosure) – Do the proposed transition disclosure requirements provide decision-useful information?**

Yes.

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**Costs and Complexities**

**Question 23. (Costs and Complexities) – Describe the nature of the incremental costs of adopting the proposed amendments, distinguishing between one-time costs and ongoing costs. Explain which aspects of the proposed amendments are driving those costs and include ideas to make the proposals more cost effective.**

The proposed amendments, while targeted in nature, are significant and substantial in terms of time, effort and infrastructure, both initially and ongoing. They will require extensive resources as proposed because all aspects of the liability valuation process will be impacted.

The most significant aspect in terms of costs and complexities is the annual update of cash flow assumptions for future policy benefits. While premium deficiency testing, cash flow adequacy reviews and liability studies are well established processes in organizations, the move to unlock cash flow assumptions on a regular basis will require additive work, even though some resources may be redeployed. We would expect to incur significant costs during the transition period for scoping decisions, to set up new modeling and reporting processes, and to educate various constituencies. On an ongoing basis, there will be a need to add resources to perform the required evaluation and updating of assumptions. Some efficiency will be obtained from eliminating premium deficiency testing, yet this is more than offset by new disclosure requirements, updating discount rates and related analyses. Lastly, a comprehensive overview of the internal control structure and audit support activities will also be required.

As discussed in our response to Question 20 on implementation, the current proposal for retrospective application would require substantial new investment in our technology as the existing liability valuation systems and platforms do not have the capacity to store the amount of details that will be required for the proposed retrospective application. We believe that costs could be lowered without compromising decision-useful financial reporting, both initially and ongoing, by allowing for prospective application of the cash flow assumption changes.