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By email to director@fasb.org
Technical Director
File Reference No. 2016-330
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT, 06856-5116

Re: *Financial Services-Insurance (Topic 944) Targeted Improvements to the Accounting for Long-Duration Contracts* (the "exposure draft" or the "proposed Update")

Dear Technical Director,

Primerica, Inc. ("we") appreciates the opportunity to comment on the exposure draft published by the Financial Accounting Standards Board (the "FASB"). We believe it is noteworthy to acknowledge the significant challenge that the FASB faces in preparing a standard Update covering the various aspects of accounting for long-duration insurance contracts that is the most beneficial to all constituents. We also appreciate the significant time and effort put forth by the FASB to thoughtfully consider the feedback from interested parties on the proposed Accounting Standard Update, *Insurance Contracts (Topic 834)* and publish another exposure draft that focuses specifically on implementing targeted improvements to the accounting for long-duration insurance contracts.

As stated in the exposure draft, the FASB's main objective is to provide guidance that would result in meaningful improvements to the financial reporting of an insurance entity. However, we have significant concerns that the guidance in the exposure draft governing the transition to the proposed amendments for recognition and measurement of long-duration insurance contracts will place undue burden on companies and contradict the FASB's stated and implicit objectives.

We generally concur with the responses being provided by the American Council of Life Insurers ("ACLI") and wish to specifically emphasize our agreement with the ACLI's response pertaining to Question 18 (Presentation and Disclosure). We have provided further discussion to the Respondent Questions 20 and 21 of particular concern that address the effective date and transition topics.

We believe that changes and improvements to the exposure draft in the areas referenced in this document and the ACLI's comment letter are necessary to ensure that generally accepted accounting principles in the United States remain of the highest quality and provide the most usefulness to financial statement users. In addition, we feel these modifications are essential to maintaining the integrity and comparability of financial information presented subsequent to the effective date as well as in appropriately balancing the costs and benefits inherent in implementing a new standard. Listed below are the respondent questions in the exposure draft for which we would like to offer further discussion and our responses to those questions.

Question 20 – Implementation date

> **Question 20:** 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? Should the effective date be the same for both public entities and nonpublic entities?

Response: One of the most significant drivers effecting implementation timing would be the gathering of information related to contracts issued long ago in order to determine the liability for future policy benefits by means of retrospective application. This would include the significant undertaking of attempting to collect data from the time the contract originated and grouping contract activity since inception at a level of aggregation that had not been previously tracked. Another key driver affecting timing of implementation would be the availability of new valuation systems and/or making changes to existing systems and control processes necessary for adopting the changes per this exposure draft. We expect this process to be extremely data intensive and require a level of information technology expertise and capacity that many insurance companies could not maintain in house. Therefore, we would expect that professional information technology vendors would need to be heavily involved in updating computing functions that are currently outsourced or developing new systems to be procured. In consideration of this significant level of effort, we strongly urge FASB to consider granting a minimum of three years to implement the proposed amendments.

Question 21 – Transition methods

Question 21: Are the proposed transition provisions operable and do they provide decision-useful information? If not, what would you recommend and why?

Response: If the retrospective approach for updating cash flow assumptions used to determine the liability for future policy benefits in the exposure draft is maintained, then we recommend amending the transition provisions to include an option for companies to be able to apply the prospective transition method for updating these assumptions as described in paragraph 944-40-65-2(d)(2) of the exposure draft without having to demonstrate that the full retrospective transition application is impracticable.

We believe the exposure draft acknowledges the inherent complexity in determining the liability for future policy benefits retrospectively as of the transition date given the impracticability clause included in paragraph 944-40-65-2(d)(2) of the exposure draft. Furthermore, in paragraph 944-40-65-2(d)(1)(i), the exposure draft prescribes a subjective method of attempting to derive historical information that an entity could use if the information to develop future policy benefit assumptions under the new guidance is not available. We believe that the subjectivity involved in interpreting and applying these paragraphs will lead to significant confusion when attempting to apply the provisions of the exposure draft. The opinion of whether retrospective transition application is impracticable will vary widely among financial statement preparers, independent auditors, and regulators. Similarly, we think it is unlikely that financial statement preparers, independent auditors, and regulators will be able to mutually agree on how to develop estimates of historical information that are not exhaustive but consider information that is reasonably available as described in paragraph 944-40-65-2(d)(1)(i). We are confident that the ambiguity provided in the transition amendments of the exposure draft will involve undue cost and effort for issuers of long-duration term life insurance contracts. The magnitude and severity of the undue cost and effort that an entity will encounter will similarly vary based on the subjective opinions of its management and independent auditors. We also believe that financial statement prepares and auditors will request significant clarification and further interpretive guidance in an attempt to minimize the risk that regulators will second guess an entity's assessment of whether the retrospective transition method is impracticable.

In addition, we do not believe that the retrospective transition method, which will likely be based on imprecise derivations of aged information that previously had not been subject to modern day internal control standards, is clearly the most useful starting point for presenting the liability for future policy benefits at the transition date to financial statement users. We are skeptical of how valuable the presentation of an entity's financial position will be to a financial statement user when such a significant adjustment is recorded upon transition and the precision of that adjustment is so uncertain given its long-term nature and development under ambiguous transition guidance. Our view is that the prospective transition method would provide users with more reliable estimates included in the financial statements as changes in unlocked assumptions will be based on current information from systems and control processes that were explicitly designed to capture this information for the purpose explained by the FASB in the exposure draft's "Basis for Conclusions" section.

In consideration of the significant complexity and ambiguity surrounding the retrospective transition application for determining future policy benefit liabilities, we do not believe that financial statement preparers should have the burden of proving that adopting these amendments of the exposure draft would be impracticable. At a minimum, we suggest that the transition amendments in the exposure draft provide companies with the option for using the prospective or retrospective application for determining future policy benefits. If comparability between different insurance entities is of concern, then we suggest that the transition amendments of the exposure draft prescribe calculating future policy benefit liabilities only by use of the prospective method.

In closing, we thank the FASB for the opportunity to comment on the exposure draft and respectfully encourage the FASB to give thoughtful consideration to the responses and suggested modifications included in this letter and the letter published by the ACLI.

Respectfully submitted,

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