Record ID: 636124221532808220

Question Text	Response	Status
* Please select the type of entity or individual responding to this feedback form.	Preparer	Completed
Other, please specify (Specified)		
* Please provide contact information for any follow-up questions.	(Filled in as Follows:)	Completed
Organization *	Pacific Life Insurance Company	
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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? If not, what types of contracts, contract features, or transactions should be included in or excluded from the scope and why?	The costs of implementing the very significant changes to the liability models as well as the additional ongoing experience data collection and analysis will outweigh the FASB's perceived benefits. We are in favor of maintaining current accounting for reserve liabilities, but with added enhanced disclosures, such as an estimate of the current period impact of a change in prior assumptions. The Exposure Draft's (ED) proposed amendments, particularly the retrospective recasting of reserve liabilities, add substantial complexity to the calculations and make it more difficult for users of financial statements to understand results and for preparers to forecast results. Volatility would be significant if past and future assumption changes are reflected in the current period, but can be substantially ameliorated with a prospective approach. That objection clearly noted, should FASB proceed as indicated in the ED, we do not recommend changes to the types of contracts, contract features or transactions included, but do recommend a change to the minimum liability. Our comments below relate to the specific questions regarding the proposed amendments and are not an endorsement of them.	Completed
Cash flow assumption update	Due to the complexities of developing experience on assumptions that were never originally required to be	Completed

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? If not, what other approach or approaches do you recommend and why?	tracked, as well as tracking some assumptions at a cohort level, the retrospective approach will require significant time and resources to implement and maintain going forward. We do not conclude that additional financial clarity is achieved, in fact volatility is increased with a retrospective liability calculation. Accordingly, we support the prospective method. The retrospective approach would add a similar level of complexity for financial statement users that retrospective adjustments to DAC amortization have today, creating what users have described as a "black box." Also, the prospective approach is more consistent with the Board's stated objectives of simplicity and transparency.	
Cash flow assumption update frequency: 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? If not, what other approach or approaches do you recommend and why?	We agree that all material cash flow assumptions should be reviewed and updated, if required, on an annual basis. However, the requirement of the same time every year is unnecessary, can be onerous and not appropriate. Given that often these review projects utilize the same company resources, both systems and personnel, it is likely that assumption reviews, experience studies or other qualitative factor review and setting may not be concluded in the same quarter every year. Flexibility should be allowed for this situation as forcing all reviews in the same quarter is extremely inefficient, resulting in overuse of resources in that quarter and idle resources for the rest of the year, with no clear additional benefit in requiring this. It is also unclear if the ED requirement applies on an entity basis or on another basis such as Business Unit, product, or assumptions (e.g. lapse rates). We do agree that if there is clear actual experience or other evidence indicating that earlier assumptions should be revised, such revision should be performed as soon as practicable. We recommend that final wording of the pronouncement note that assumptions should be reviewed and updated as necessary based on materiality or significance on an annual basis (but not at the same time) and to clarify that certain assumptions may not have to change annually.	Completed
Discount rate assumption: 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	Utilizing a high quality fixed-income discount rate as suggested by the ED to simplify accounting will result in non-economic results since such a rate does not represent each individual company's actual portfolio yield nor does it provide the appropriate level of liquidity premium above the risk free rate. Better alternatives could be a market observable blended rate approximating the average credit quality of the life insurance industry or possibly the average quality of the individual company's portfolio with appropriate disclosures. The current ED proposal will mismatch assets	Completed

use of current market observable inputs? If not, what other approach or approaches do you recommend and why?	and liabilities. In addition, utilizing a high quality fixed income rate at initial measurement of the liability could have adverse unintended consequences. For example if a product is priced expecting a 3% yield and the high quality fixed-income rate is 2.5% it is possible to have a day 1 non-economic loss where we recognize a liability for future policy benefits that is higher than the premiums recognized for that contract. We believe the ED should clarify that the liability should be recognized in accordance with ASC 820-10-30-2 and consider this possibility and then provide that any day 1 loss/gain related to the newly defined discount rate be recorded in Other Comprehensive Income (OCI).	
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? If not, what other approach or approaches do you recommend and why?	We agree that such should be recognized in OCI and not current earnings.	Completed
Discount rate assumption update frequency: Do you agree that discount rate assumptions should be updated at each reporting date? If not, what other approach or approaches do you recommend and why?	We agree.	Completed
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	Our participating block of policies is not material and we plan on utilizing a practical expedient in implementing new accounting guidance. Based on this response, questions 8-12 are not applicable to us.	Completed

closed block contracts issued by a demutualized insurance entity? If not, what types of contracts, contract features, or transactions should be included in or excluded from the scope and why?		
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? If not, what other approach or approaches do you recommend and why?	NA	Completed
Cash flow assumption 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? If not, what other approach or approaches do you recommend and why?	NA	Completed

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? If not, what other approach or approaches do you recommend and why?	NA	Completed
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? If not, what other approach or approaches do you recommend and why?	NA	Completed
Discount rate assumption update frequency (participating contracts): Do you agree that discount rate assumptions should be updated at each reporting date? If not, what other approach or approaches do you recommend and why?	NA	Completed

Scope: Do you agree with the scope of the proposed amendments on the accounting for market risk benefits? If not, what types of contracts or contract features should be included in or excluded from the scope and why?	The contracts typically referred to as GMDB (Guaranteed Minimum Death Benefit) should be specifically excluded as such contracts are an insurance risk and unlike other Market Risk Benefit products do not have a contract holder option for a benefit (i.e. no self-selection).	Completed
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? If not, what other alternative or alternatives do you recommend and why?	As we stated in Question 13, GMDBs should not be included in scope. If this benefit is included, it should not be measured at fair value. The current ratable insurance accrual method (SOP 03-1) provides a GMDB liability valuation that reacts appropriately to market fluctuations and ensures that a company has a sufficient reserve built up to cover the likely death benefit payments. This method should be retained for Variable Annuity GMDB. Additionally, an appropriate targeted improvement would be to remove the "non-performance risk" or "own credit risk" margin from Topic 815 and 820 and not just from market risk benefit valuation. There is no logical reason why an insurance company should value their liability under the presumption that a portion of the liability will go unpaid. Removing this margin will eliminate the need to report instrument-specific credit risk in OCI. However, if this is not removed, such should be recorded in OCI. We believe that current GAAP accounting on market risk benefits provides information that meets the needs of users of the financial information. We support allowing a fair value option whereby insurance entities can elect to recognize the fair value with changes in fair value reported through the income statement except for instrument specific credit risk that is reported in OCI. Insurers that do not select the fair value option should be allowed to continue SOP 03-01 accounting guidance and record the liability/asset at the estimated present value with changes recorded in the income statement with required fair value disclosures. The fair value changes attributable to a change in the instrument-specific credit risk be recognized in OCI.	Completed
Scope: Should the scope of the proposed amendments be expanded to include investment contract	The scope should not be expanded to include investment contracts	Completed

acquisition costs currently amortized using the interest method in Subtopic 310-20, Receivables—Nonrefundable Fees and Other Costs?		
Amortization: Do you agree with the proposed amendments that would simplify the amortization of deferred acquisition costs? If not, what other simplified and reasonably estimable amortization approach or approaches do you recommend?	We do not agree with the proposed amendment to the amortization of Deferred Acquisition Costs (DAC). Although the amendment over-simplifies the amortization calculation and is easier to understand by itself, basing the amortization solely on inforce delinks the asset from the reserve liability. This delinking moves operating income results significantly away from the economic results and will result in significant non-economic volatility in earnings. We also consider the delinking of the amortization of front-end loads from the emergence of earnings from the underlying products as being problematic. We recommend that the DAC amortization approach not be changed from existing guidance but that enhanced disclosure (such as attribution analysis) is required to assist users in better understanding the results. We have comments below to specific items if FASB proceeds with the over-simplified DAC amortization, but as noted in Question 1 this is not an endorsement of them over our primary position. Specificity on these product types will be necessary for reasonably consistent financial statements between companies. Payout annuities – DAC should be run off in proportion to reserves – where reserves are set using the interest rate from the date of contract inception. Fixed and Variable Deferred Annuities – It remains unclear how the new guidance would apply to deferred annuities. Amortization based on expected persistency of inforce premium is probably a good alternative to the simplified approach described in the ED. Clarification is needed in the final Standard.	Completed
Impairment: Do you agree that deferred acquisition costs should not be subject to impairment testing? If not, what alternative or alternatives do you recommend and why?	Assuming the proposed changes are adopted that would simplify amortization we agree that deferred acquisition costs should not be subject to impairment testing. DAC impairment could result in a less predictable amortization pattern and less comparability among companies.	Completed

Proposed requirements: Do you agree that the presentation and disclosure requirements included in the proposed amendments would provide decision-useful information? If not, which presentation and/or disclosure requirement or requirements would you change and why?	We generally agree that enhanced disclosure would be beneficial to users of the financial statements in understanding the nature of changes in balances. However, as noted in our first response above that maintaining the current accounting and adding enhanced disclosure would provide more useful information to financial statement users. We are concerned that the proposed volume of disclosures and quantity of data in the disclosures could obfuscate the relevance of the information. We question whether the costs of providing the disclosures on such level of detail are worth any benefit to the users of the financial statements. Based on our judgement of the costs versus benefits, we suggest removing the following disclosure requirements per the ED. 1) Quantitative ranges and weighted averages of Significant Inputs, Judgments and Assumptions 2) 944-40-50-6 disclosures of undiscounted cash flows (b.1), gross premiums (b.2), weighted average duration of the liability (b.4) and disclosure about liability when no further losses are expected (e) 3) 944-40-50-7A disclosure of earned rates and crediting rates – this is proprietary information. 944-40-55-13I disclosure of experience adjustment could be removed if prospective approach is adopted. Regarding the Liability for Policyholders' Account Balances disclosure, we note how the columns (bps ranges) could be useful to analysts, but are concerned that companies would disclose different ranges for the rows (ranges of guaranteed minimum crediting rate), thereby reducing comparability across companies. Additional specificity related to the rows may be warranted. For the Market Risk Benefits disclosure we disagree with presenting quantitative hedging information as required, particularly when we do not elect hedge accounting. We believe qualitative disclosure of our hedging program is sufficient for reporting to the public.	Completed
Additional requirements: Are there any additional presentation or disclosure requirements that would provide decision-useful	NA	Completed

information? If so, please describe them and explain why.		
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? Should the effective date be the same for both public entities and nonpublic entities?	The key drivers affecting the timing of implementation are resources and cost. The level of effort on actuarial, accounting and information technology resources to implement (significant changes to systems, processes and internal controls) will be significant and will most likely need to be augmented with consultants at a high cost given the nature and complexity of needed changes. The systems changes are most problematic. This would require development, testing and validation, related internal control changes and testing, as well as independent audit. The changes will greatly affect older systems which require additional expertise when modifying. Additionally, the level of effort will impact ongoing operations and take away from other critical work requirements. Note that the same resources required will most likely also be needed simultaneously for other major industry issues such as U.S. Statutory Principle Based Reserving, new Risk Based Capital requirements for corporate bonds, potential international capital standards efforts and for Companies with an international presence, changes to international accounting by the IASB and potential tax and regulatory changes from the new administration. All of these very substantial projects have an expected timeframe within the next five years. In addition companies will be simultaneously adopting new pronouncements related to classification and measurement, impairment, leasing and revenue recognition. We recommend that if the final insurance standard is issued with nominal changes from the ED the implementation date be no earlier than beginning of Fiscal Year 2022. This allows for slightly more than 4 years implementation if the final standard is issued in late 2017.	Completed
Transition methods: Are the proposed transition provisions operable and do they provide decision-useful information? If not, what would you recommend and why?	Utilizing the retrospective method for updating future policy benefits is not operationally feasible in an efficient manner. Many of these contracts may be over 30 years old and reliable information regarding lapses, surrenders and other information, were never anticipated to be collected, and may not be available. If FASB keeps the retrospective approach despite industry concerns, companies should be allowed to apply the prospective method at transition without having to fully demonstrate that retroactive application is impractical. For market risk benefits a better approach to be considered would be to calculate the ascribed fee as of the transition date such that the initial fair value equals the current carrying value of the liabilities. We have concerns relative to the discount rate transition.	Completed

	Restating the reserve for payout annuities to the inception-date discount rate may cause the undoing of the effect of past loss recognition as an adjustment to equity, then require future losses relative to the discount rate assumption. Effectively, one could be in a position to take losses a second time. Again, a better approach would be to set the reserve for payout annuities based on the discount rate at the date of transition.	
Transition disclosure: Do the proposed transition disclosure requirements provide decision-useful information? If not, what would you recommend and why?	See Question 18 for discussion.	Completed
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.	One-time costs would include actuarial and accounting contractors to augment the current staff in implementation, systems modification or development of new systems to provide transitional information, and audit fees especially since the first 2 years of the income statement will in effect be on two different basis and the level of effort required in auditing transition (audit fees would include encompassing the changes in internal controls related to the change in accounting). The one-time costs will be very significant. It is too early to fully evaluate ongoing costs, but they could be significant as well, since the existing 'locked-in' method is replaced by a liability wherein each assumption is reviewed, reevaluated and justified at least annually. Implementation of this accounting standard, implementation of the IASB accounting standard where applicable, new capital standards and implementation of Principles Based Reserves for state regulatory standards should result in premium fees for actuarial consulting and system resources over the next few years and raises the question on the cost benefit outcome of this new standard.	Completed
Please provide any additional comments on the proposed Update:		Completed
Please provide any comments on the electronic feedback process:	The electronic process is a more efficient way of responding and likely a more efficient way for the FASB to analyze comments.	Completed

Below is a printable summary of your responses to the questions in this feedback form. You can revise your responses by clicking the "Back" button. All comments received constitute part of the FASB's public file. The FASB will make all comments publicly available by posting them to the Online Comment Letters portion of its website. If you are finished providing comments, click the 'Submit' button at the bottom of this page.	Not Answered	Not Answered