

MINUTES



MEMORANDUM

To: Board Members
From: Insurance Team (Klopfenstein x399)
Subject: Minutes of June 6, 2018 Board Meeting on Insurance—Targeted Improvements to the Accounting for Long-Duration Contracts
Date: June 18, 2018
cc: Tosches

The Board meeting minutes are provided for the information and convenience of constituents who want to follow the Board’s deliberations. All of the conclusions reported are tentative and may be changed at future Board meetings. Decisions become final only after a formal written ballot to issue an Accounting Standards Update or a Statement of Financial Accounting Concepts.

Topic: Insurance—Targeted Improvements to the Accounting for Long-Duration Contracts

Basis for Discussion: FASB Memo 165: External Review, Effective Date, and Analysis of Benefits, Costs and Complexities

Length of Discussion: 9:00 AM to 10:05 AM

Attendance:

Board members present: Golden, Kroeker, Botosan, Hunt, Schroeder, Siegel

Board members absent: None

Staff in charge of topic: Casas

Other staff at Board table: Proestakes, Shah, Brickman, Klopfenstein, Peek

Outside participants: Buesser (incoming July 2018 Board member)

Type of Document and Timing Based on the Technical Plan:

The Board met to discuss topics relating to the development of a final Accounting Standards Update addressing Topic 944, Financial Services—Insurance.

The Board’s technical plan calls for that document to be issued in the third quarter of 2018.

Tentative Board Decisions:

The Board redeliberated the amendments in the September 2016 proposed Accounting Standards Update, *Financial Services—Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts*.

Discount Rate Reset upon Initial Adoption (Liability for Future Policy Benefits for Traditional and Limited-Payment Contracts)

The Board voted to revise the modified retrospective transition method discount rate whereby as of the beginning of the earliest period presented (that is, the transition date) an insurance entity would retain the discount rate assumption for purposes of calculating net premiums and interest accretion. For balance sheet purposes, the liability would be remeasured at the current upper-medium grade fixed-income instrument yield, resulting in an adjustment to opening accumulated other comprehensive income at the transition date.

(Vote: 6-0)

Effective Date

The Board voted that the effective date of the amendments in the final Update should be as follows:

1. For public business entities, the amendments will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020.
2. For all other entities, the amendments will be effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022.

Early adoption is permitted for all entities.

(Vote: 5-1)

Analysis of Benefits and Costs

The Board concluded that the expected benefits justify the expected costs of the amendments in the final Update.

(Vote: 6-0)

Next Steps

The Board directed the staff to draft an Accounting Standards Update for vote by written ballot.

General Announcements: None.