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September 19, 2019

Russell G. Golden, Chairman
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: Exposure Draft – Proposed Accounting Standards Update
Financial Services – Insurance (Topic 944): Effective Date
File Reference No. 2019-760

Prudential Financial, Inc. (the "Company" or "Prudential") appreciates the opportunity to provide comments on the FASB Exposure Draft, Proposed Accounting Standards Update, Financial Services-Insurance (Topic 944): *Effective Date* (ED) and agrees with the FASB's proposal as stated in the ED to defer the effective date of Accounting Standards Update 2018-12, Financial Services-Insurance (Topic 944): *Targeted Improvements to the Accounting for Long-Duration Contracts* (LDTI) by one year for larger public companies.

Comments on proposed deferral

As discussed in our comment letter dated July 17, 2018, this new standard represents the most significant and impactful change to accounting guidance the insurance industry has ever implemented and an additional year will provide critical time necessary to ensure it results in high quality financial statements. We greatly appreciate the FASB's response to the industry's feedback on this matter and believe this decision to be in the best interest of financial statement users.

Additional comments on proposed restatement periods

As we discussed with certain FASB representatives during our meeting on April 8, 2019, we also believe that the restatement period requirement should be shortened from 2 years to 1 year.

Performing restatements from the transition date (e.g. 1/1/2020 assuming a 1/1/2022 effective date) is a highly complex process requiring controlled and accurately integrated policyholder administrative, valuation, actuarial modeling and general ledger information systems for each of the required restatement periods and the operation of several key internal controls over financial reporting and disclosures for each period. The restatement process requires building a secondary reporting system, managing multiple model versions, and testing/reconciling each version. Because vendor systems and the end-to-end IT infrastructures for "future state" LDTI models will not be available by 1/1/2020, the 2020 restatements will require a separate process to retrofit the LDTI models, when available. This work will be labor intensive and require separate and unique controls. This is in contrast to 2021 restatements which are more likely to follow a parallel process leveraging "future state" LDTI processes and controls that will be already in place.

Since LDTI is a significant and transformative change, we believe it is also appropriate to expect that companies may make strategic decisions (such as product design/pricing, hedging, etc.) which would have also impacted the financial statements had LDTI been in effect during the proposed historical restatement periods. Thus, the restatement of historical financial statements for the required LDTI changes, particularly in the earliest year when strategy changes are much less likely to have already taken effect, may not provide the most useful indication or comparable measure of financial results.

While we understand the importance of comparative financial statements and disclosures to users of the financial statements, we propose that, in addition to the Board's proposal to defer the effective date, the restatement period also be shortened from 2 years to 1 year. We believe a shortened required restatement period will mitigate risk to the overall implementation and that the reduced implementation risk and operational and resource burden outweighs the usefulness of an additional year of restatements to the financial statement user.

<u>Responses to the ED questions</u>

We offer the following comments with respect to the 4 questions asked in the ED.

Question 1 – *Effective date of larger public companies*. *Should the amendments in Update 2018-12 be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2021, for larger public companies (that is, SEC filers other than entities eligible to be SRCs as defined by the SEC)? If not, please explain why not.*

We strongly agree with the proposed change in the effective date for larger public companies.

Question 2 – *Effective date for entities other than larger public companies.* *Should the amendments in Update 2018-12 be effective two years after the effective date for larger public companies for entities other than larger pubic companies (that is, for entities other than larger public companies, effective for fiscal years beginning after December 15, 2023)? If not, please explain why not.*

We have no objection to the proposed change in the effective date for entities other than large public companies with early application permitted.

Question 3 - *Interim periods for entities other than larger public companies.* *Should the amendments in Update 2018-12 be effective for interim periods within the years after those amendments are effective for annual periods for entities other than larger public companies (that is, effective for interim periods within fiscal years beginning after December 15, 2024)? Or, alternatively, should the amendments in Update 2018-12 be effective for interim periods within the same fiscal year that the amendments in that Update are effective for annual periods (that is, effective for interim periods within fiscal years beginning after December 15, 2023)? Please explain why*

We have no objection to the proposed changes regarding interim period reporting for entities other than larger public companies.

Question 4 – *Threshold.* *Should the population of SEC filers that are afforded a delayed effective date be entities eligible to be SRCs as defined by the SEC? If not, what definitional threshold, if any, do you suggest and why?*

We have no objection to the proposal that the population of SEC filers should be entities eligible to be SRC's as defined by the SEC.

We appreciate your consideration of our comments. If you would like to discuss, please contact me at (973) 802-3555.

Sincerely,

Robert D. Axel
Senior Vice President and Corporate Controller