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Senior Director, Accounting Policy

September 20, 2019

Technical Director, File Reference No. 2019-760
FASB
401 Merritt 7,
P.O. Box 5116
Norwalk, CT 06856-5116

Re: FASB Exposure Draft, Financial Services-Insurance (Topic 944): *Effective Date*

The American Council of Life Insurers (ACLI) [1] greatly appreciates the opportunity to provide comments on the FASB Exposure Draft, Proposed Accounting Standards Update, Financial Services-Insurance (Topic 944): *Effective Date* (ED), especially given our recent dialogue with the Board and staff about our concerns with the effective date contained in the August 15, 2018 Accounting Standards Update 2018-12, Financial Services-Insurance (Topic 944): *Targeted Improvements to the Accounting for Long-Duration Contracts* (the ASU).

First of all, the ACLI thanks the Board and staff for taking the time to host outreach meetings with several ACLI member companies to discuss their operational readiness to implement the ASU and answer any questions, to better enable the Board to make a fully-informed decision on a possible deferral of the effective date of the ASU.

We recognize and appreciate the Board's decision to delay the effective date of the ASU and to distinguish between larger public companies (i.e. Securities and Exchange Commission (SEC) filers other than entities eligible to be small reporting companies (SRCs) as defined by the SEC) and all others. While we support the proposed changes in the effective date, we continue to have concerns about transition guidance for reinsurance contracts between larger public companies and all others due to the difference in effective dates along with other potential implementation issues under review, e.g., accounting for claim liabilities, reinsurance, and market risk benefits. We understand that these issues go beyond the scope of the ED. Nevertheless, these issues need to be resolved as soon as possible to enable companies to effectively complete implementation, even with the proposed effective date change.

Given the proposed change in the effective date with a two-year delay for companies other than larger public companies, the reinsurance issue is one that we believe the Board needs to address as soon as possible and to consider the following recommendations.

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[1] The American Council of Life Insurers (ACLI) advocates on behalf of 280 member companies dedicated to providing products and services that promote consumers' financial and retirement security. 90 million American families depend on our members for life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, dental and vision and other supplemental benefits. ACLI represents member companies in state, federal and international forums for public policy that supports the industry marketplace and the families that rely on life insurers' products for peace of mind. ACLI members represent 95 percent of industry assets in the United States. Learn more at www.acli.com.

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For blocks of business assumed/reinsured by a larger public company reinsurer from a non-larger public company cedent, where the administration and/or valuation of the underlying contracts is performed by the non-larger public company cedent, the effective date of the guidance would be fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, determined on a contract-by-contract basis and allowing for early adoption. The practical expedient should also apply to retrocession contracts on those blocks of business.

For blocks of business ceded to a non-larger public company reinsurer from a larger public company cedent, where the administration and/or valuation of the business has also been transferred to the non-larger public company reinsurer, the effective date of the guidance would be fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, determined on a contract-by-contract basis and allowing for early adoption.

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

Question 1—Effective date for 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 agree with the proposed change in the effective date for larger public companies with early application permitted.

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 public 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 larger public companies with early application permitted. However, we continue to have concerns about transition guidance for reinsurance contracts between SEC filers and non-SEC filers due to the difference in effective dates as noted above.

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 support the amendment to be effective for interim periods within the years after the effective date, i.e., for fiscal years beginning after December 15, 2024.

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 support the recommendation that the population of SEC filers should be entities eligible to be SRC's as defined by the SEC.

We welcome the opportunity to discuss our views and recommendations in greater detail should you have any questions.

Sincerely,

Mike Monahan
Senior Director, Accounting Policy