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September 20, 2019

Shayne Kuhaneck
Acting Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

File Reference No. 2019-760
Re: Proposed Accounting Standards Update, *Financial Services — Insurance (Topic 944): Effective Dates*

Dear Mr. Kuhaneck:

Deloitte & Touche LLP is pleased to comment on the FASB's proposed Accounting Standards Update (ASU) *Financial Services — Insurance (Topic 944): Effective Date*.

We support the Board's proposal to defer the effective date of the amendments in ASU 2018-12, *Financial Services—Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts*, for all entities.

We believe that a deferral will give preparers the time they need to appropriately transition to the new standard, develop accounting policies, design internal controls, and implement any new required systems or processes. We understand that a deferral is particularly important for preparers since the effects of implementing the new accounting standard may extend beyond financial reporting and involve many aspects of an entity's operation.

The appendix contains our responses to the proposed ASU's questions for respondents.

We appreciate the opportunity to comment on the proposed ASU. If you have any questions concerning our comments, please contact Rick Sojkowski at (860) 725-3094 or Mark Bolton at (203) 761-3171.

Yours truly,

Deloitte & Touche LLP

cc: Robert Uhl

Appendix Deloitte & Touche LLP Responses to Proposed ASU's Questions for Respondents

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 support the Board's proposal to extend the current effective date of the amendments in ASU 2018-12 for larger public companies (other than SRCs) by one year.

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 support the Board's proposal to extend the current effective date of the amendments in ASU 2018-12 for entities other than larger public companies for two years.

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 agree that for entities other than larger public companies, the amendments in ASU 2018-12 should be effective for interim periods within the years after those amendments are effective for annual periods for entities other than larger public companies (i.e., effective for interim periods within fiscal years beginning after December 15, 2024).

We generally believe that entities should be required to adopt any new major accounting standards in their interim reporting for the same year as their annual financial statements. However, we understand that implementation of the amendments will require extensive process and system changes for many entities as well as access to sufficient actuarial resources. Given these unique challenges, we believe that it is appropriate to allow such entities to defer their application of the amendments to interim periods until the year following their initial year of adoption. While such a deferral may create reporting challenges that could result in misalignment between the interim periods and the annual financial statements,

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we believe that the unique circumstances associated with adopting the insurance standard justify an exception to our general view.

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 Board's proposal to delay the effective date for the population of SEC filers that are eligible to be SRCs as defined by the SEC. We observe that certain EGCs, which may be larger than SRCs, have already been granted a delayed effective date under current SEC regulations. Therefore, we believe that it is appropriate to extend such a delayed effective date to SRCs.

We understand, however, that implementation questions may arise regarding whether certain insurance product sponsors that (1) do not have securities offered or sold in accordance with the Securities Act of 1933 and (2) otherwise would not be required to file reports under the Securities Exchange Act of 1934 would still meet the definition of an SEC filer and, accordingly, be categorized as bucket-one entities. Sponsors of products such as variable annuities or variable life insurance may include their financial statements in registrations of those products on Forms N-4 or N-6, while sponsors of other products such as equity-indexed annuities may include their financial statements in registrations on Form S-1. Under the definition of "SEC filer" in the ASC master glossary, "[f]inancial statements for other entities that are not otherwise SEC filers whose financial statements are included in a submission by another SEC filer are not included within [the definition of an SEC filer]" Because the product sponsor is not designated as the registrant on Forms N-4 and N-6, many believe that sponsors of products registered on such forms would meet this exception and not be considered SEC filers. However, some believe that although the situation is analogous, a sponsor of a product registered on Form S-1 would not qualify for the exception because the sponsor is listed as the registrant on Form S-1; therefore, the financial statements of that sponsor would not be considered included in another SEC filer's submission.

Such constituents may question whether the choice of form used to register a sponsor's insurance products should dictate that sponsor's SEC filer status. In addition, some entities that register products on Form S-1 have received waivers from the SEC staff that permit the entities to include financial statements prepared in accordance with statutory accounting principles in the registration statement in lieu of financial statements prepared in accordance with U.S. GAAP. Some believe that these entities' ability to obtain such waivers is a further indication that there is no compelling reason to subject their U.S. GAAP financial statements to the earliest effective dates. The Board should clarify whether sponsors of insurance products that require registration should be considered SEC filers that would fall within bucket one.