



Michael Monahan
Senior Director, Accounting Policy

March 20, 2020

Mr. Russell Golden
Chairman
Financial Accounting Standards Board
401 Merritt 7
Norwalk, Connecticut 06856-5116

Dear Mr. Golden:

The American Council of Life Insurers (ACLI)¹ member companies are well underway with their implementation of ASU 2018-12, Financial Services—Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts (“ASU 2018-12” or the “ASU”). As we have discussed with you previously during the outreach efforts in April and May of 2019, the implementation of the ASU requires significant resources (internal and external) as well as significant cost to ACLI member companies. Based on the Fall 2019 LDTI Readiness Survey conducted by PwC, LDTI compliance cost is expected to exceed \$2 billion. The ACLI is grateful for the deferral of the effective date recently provided with the issuance of ASU 2019-09, Financial Services – Insurance (Topic 944): *Effective Date*, to enable companies to address these challenges. Despite this, implementation continues to be a challenge for companies, with top challenges that include data control, actuarial process and modeling changes, including processes that rely on third parties for information, and explaining impacts to senior management and third-party financial statement users.

Due to the COVID-19 pandemic, our society is experiencing unprecedented challenges both within the U.S. and abroad and, as a result, ACLI member companies are beginning to experience significant business disruptions that are causing strain on internal resources and external (consulting) resources they are relying on to assist with implementation. Employees across the U.S. are rapidly moving to full work-from-home schedules, and schools and child-care centers are closing across many states. These added disruptions are naturally expected to have an impact on work force productivity; local, state and federal government authorities have indicated this may be the new way of life for many months. Many ACLI members are now evaluating the impact of these disruptions on employee communication systems, and project plans and timelines, including potential delays in implementation efforts. These delays specifically relate to actuarial and finance system builds and testing - particularly in cases where they are reliant on third parties for assistance. Early indications are that meeting tight deadlines is already at risk.

¹ The American Council of Life Insurers (ACLI) is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI’s member companies are dedicated to protecting consumers’ financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI’s 280 member companies represent 94 percent of industry assets in the United States.

In addition, the U.S. economy is facing extraordinary circumstances. Capital markets are extremely challenged, with unusually volatile equity markets and historically low interest rates. As the impact of this global health crisis continues to escalate within many aspects of life, it is increasingly unclear how long the capital markets may persist within their current turbulent state. This extreme economic volatility creates additional burdens for insurers, as increased levels of risk management activity and greater communication with the regulatory and investor communities will become essential. This added strain further limits insurers' ability to devote the resources necessary to effectively implement new accounting guidance.

Given the unprecedented challenges we are facing and the uncertainty in the length of time it will take for companies to recover and stabilize from the COVID-19 disruptions, the ACLI urges the FASB to judiciously consider the implications of this crisis on companies' ability to effectively implement ASU 2018-12 and **take swift action by deferring the implementation of ASU 2018-12 for all entities for at least one year** beyond the current effective dates. This will allow companies to balance the implementation of the ASU with the disruptions and other priorities arising from the new and challenging social and economic environments. This will also allow companies additional time to execute well-controlled implementations, and to comprehensively evaluate and communicate the impact of the ASU on their financial statements to users in light of the extreme and unprecedented societal and capital market conditions we are facing.

We welcome the opportunity to discuss this with the FASB further and would be happy to provide additional information as needed, including updated project plans and forecasts under certain scenarios.

Sincerely,



Mike Monahan
Senior Director, Accounting Policy

cc: Jim Kroeker, Vice Chairman
Christine Botosan, Board Member
Jay Shah, Senior Project Manager
Alex Casas, Assistant Director