



Michael Monahan
Senior Director, Accounting Policy

March 27, 2020

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

Dear Mr. Golden:

As you are aware, the Coronavirus Aid, Relief, and Economic Security Act (the “Act”) – which is expected to be signed into law shortly, includes an option for any insured depository institution, bank holding company, or any affiliate thereof to defer compliance with ASU 2016-13: Measurement of Credit Losses on Financial Instruments (“ASU”) during the period beginning on the date of enactment of the Act and ending on the earlier of (1) the date on which the national emergency concerning the novel coronavirus disease (COVID-19) outbreak declared by the President on March 13, 2020 under the National Emergencies Act (50 U.S.C. 1601 et seq.) terminates; or (2) December 31, 2020. This provision was included in the Act in order to eliminate any accounting disincentive that might prevent institutions that are vital to the proper functioning of credit markets from providing much needed credit and liquidity during this time of extreme financial turmoil brought about by the COVID-19 global pandemic. The American Council of Life Insurers (“ACLI”)¹ member companies believe that insurance companies, insurance holding companies and any subsidiary or affiliate thereof, through their significant investing activities, are also vital institutions to the proper functioning of credit markets. As such, ACLI member companies respectfully request the FASB consider codifying the language in the Act and expanding the scope of the optional deferral to all financial institutions, including insurance companies, insurance holding companies and any subsidiary or affiliate thereof.

Additionally, ACLI member companies seek further clarification of the language used in the Act regarding the length of the optional deferral of compliance with the ASU. As noted above, the optional deferral extends to the earlier of (1) the date on which the national emergency concerning COVID-19 terminates; or (2) December 31, 2020. Our interpretation of this language is such that companies that elect the optional deferral would be required to comply with the ASU at some point in the middle of a fiscal year or at the end of a fiscal year. Furthermore, it is not clear whether the optional deferral applies to the implementation of the ASU or if companies would still be required to implement the ASU as of January 1, 2020 (and record their transition adjustment), then suspend compliance for some period before

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.

reinstating compliance by the end of 2020. As such, ACLI member companies respectively request that in codifying the Act, the FASB consider clarifying the language such that companies are granted a full optional deferral of the effective date of the ASU to fiscal years starting on or after December 15, 2020. This clarification would avoid the comparability issues that would arise from implementing a new accounting standard in the middle of a fiscal year, and prevent the counterintuitive operational and financial reporting outcomes that would arise from implementation of the ASU, followed by suspension of compliance with the ASU, followed by reinstatement of compliance with the ASU within the same fiscal year.

Given the proximity of enactment of the Act to the end of the first quarter for calendar year public filers, we urge the FASB to expeditiously consider our requests such that, in the event the FASB agrees to our requests, ACLI member companies are afforded sufficient time to properly consider and implement the deferral option.

We welcome the opportunity to discuss this with the FASB further and would be happy to provide additional information as needed.

Sincerely,

A handwritten signature in black ink, appearing to read "M Monahan", with a stylized flourish at the end.

Mike Monahan
Senior Director, Accounting Policy

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