FASB **EXPOSURE DRAFT**

Proposed Accounting Standards Update

Issued: July 9, 2020
Comments Due: August 24, 2020

Financial Services—Insurance (Topic 944)

Effective Date and Early Application

The Board issued this Exposure Draft to solicit public comment on proposed changes to Topic 944 of the *FASB Accounting Standards Codification*®. Individuals can submit comments in one of three ways: using the electronic feedback form on the FASB website, emailing comments to director@fasb.org, or sending a letter to "Technical Director, File Reference No. 2020-400, FASB, 401 Merritt 7, PO Box 5116, Norwalk, CT 06856-5116."

Financial Accounting Standards Board

Notice to Recipients of This Exposure Draft of a Proposed Accounting Standards Update

The Board invites comments on all matters in this Exposure Draft until August 24, 2020. Interested parties may submit comments in one of three ways:

- Using the electronic feedback form available on the FASB website at Exposure Documents Open for Comment
- Emailing comments to director@fasb.org, File Reference No. 2020-400
- Sending a letter to "Technical Director, File Reference No. 2020-400, FASB, 401 Merritt 7, PO Box 5116, Norwalk, CT 06856-5116."

All comments received are part of the FASB's public file and are available at www.fasb.org.

The *FASB Accounting Standards Codification*® is the source of authoritative generally accepted accounting principles (GAAP) recognized by the FASB to be applied by nongovernmental entities. An Accounting Standards Update is not authoritative; rather, it is a document that communicates how the Accounting Standards Codification is being amended. It also provides other information to help a user of GAAP understand how and why GAAP is changing and when the changes will be effective. A copy of this Exposure Draft is available at www.fasb.org.

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FASB FINANCIAL ACCOUNTING STANDARDS BOARD®

Proposed Accounting Standards Update

Financial Services—Insurance (Topic 944)

Effective Date and Early Application

July 9, 2020

Comment Deadline: August 24, 2020

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Why Is the FASB Issuing This Proposed Accounting Standards Update (Update)?

In consideration of the implications of the Coronavirus Disease 2019 (COVID-19) pandemic on an insurance entity's ability to effectively implement the amendments in Accounting Standards Update No. 2018-12, *Financial Services—Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts* (LDTI), the Board is issuing this proposed Update to:

1. Provide additional time for implementation by deferring the effective date of LDTI by one year for all insurance entities
2. Provide transition relief to facilitate early application of LDTI and encourage accelerated delivery of better information to investors and other financial statement users.

Background

On August 15, 2018, the Board issued LDTI to improve, simplify, and enhance the financial reporting requirements for long-duration contracts issued by insurance entities. On November 15, 2019, the Board issued Accounting Standards Update No. 2019-09, *Financial Services—Insurance (Topic 944): Effective Date*, which deferred the original effective date of LDTI for all entities, with early application permitted, as follows:

1. For public business entities that meet the definition of a Securities and Exchange Commission (SEC) filer (per the Codification's Master Glossary definition), excluding entities eligible to be smaller reporting companies (SRCs) as defined by the SEC, the guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2021. The one-time determination of whether an entity is an SRC is based on an entity's most recent determination as of November 15, 2019, in accordance with SEC regulations.
2. For all other entities, the guidance is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024.

What Are the Main Provisions?

Effective Date Deferral

The amendments in this proposed Update would defer the effective date of LDTI for all entities by one year as follows:

1. For public business entities that meet the definition of an SEC filer and are not SRCs, LDTI would be effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years.
2. For all other entities, LDTI would be effective for fiscal years beginning after December 15, 2024, and interim periods within fiscal years beginning after December 15, 2025.

Early Application Transition Relief

To facilitate early application of LDTI, the early application transition date would be the beginning of the prior period presented (rather than the beginning of the earliest period presented), thereby aligning the early application transition date with the standard transition date for SEC filers.

For example, a large calendar-year public insurance entity would reflect LDTI as of January 1, 2021 (and record a transition adjustment as of that date) (1) in its 2022 financial statements if the entity elects early application or (2) in its 2023 financial statements if the entity does not elect early application.

Questions for Respondents

The Board invites individuals and organizations to comment on all matters in this proposed Update, particularly on the issues and questions below. Comments are requested from those who agree with the proposed guidance as well as from those who do not agree. Comments are most helpful if they identify and clearly explain the issue or question to which they relate. Those who disagree with the proposed guidance are asked to describe their suggested alternatives, supported by specific reasoning.

Question 1—Effective Date: Should the effective date of LDTI be deferred for all insurance entities by one year? Please explain.

Question 2—Early Application: Does the proposed alignment of the early application transition date and the standard transition date achieve the Board's objective of facilitating early application of LDTI by certain entities to encourage accelerated delivery of information to financial statement users? Please explain.

Amendments to the *FASB Accounting Standards Codification*®

Introduction

1. The Accounting Standards Codification is amended as described in paragraph 2. Terms from the Master Glossary are in **bold** type. Added text is <u>underlined</u>, and deleted text is ~~struck out~~.

Amendments to Subtopic 944-40

2. Amend paragraph 944-40-65-2 and its related heading and amend pending content transition date for all paragraphs that link to paragraph 944-40-65-2 as follows:

Financial Services—Insurance

Claim Costs and Liabilities for Future Policy Benefits

Transition and Open Effective Date Information

> Transition Related to Accounting Standards Updates No. 2018-12, *Financial Services—Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts,* ~~and~~ No. 2019-09, *Financial Services—Insurance (Topic 944): Effective Date*<u>, and No. 2020-XX, *Financial Services—Insurance (Topic 944): Effective Date and Early Application*</u>

944-40-65-2 The following represents the transition and effective date information related to Accounting Standards Updates No. 2018-12, *Financial Services—Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts*, ~~and~~ No. 2019-09, *Financial Services—Insurance (Topic 944): Effective Date*<u>, and No. 2020-XX, *Financial Services—Insurance (Topic 944): Effective Date and Early Application*</u>:

a. For **public business entities** that meet the definition of a **Securities and Exchange Commission (SEC) filer**, excluding entities eligible to be smaller reporting companies as defined by the SEC, the pending content that links to this paragraph shall be effective for fiscal years beginning after December 15, <u>2022</u>~~2021~~, and interim periods within those fiscal years. The one-time determination of whether an entity is eligible to be a smaller reporting company shall be based on an entity's most recent determination as of November 15, 2019, in accordance with SEC regulations. Early application is permitted. If early application is elected, the transition date shall be the beginning of the prior period presented. If early application is not elected, the transition date shall be the beginning of the earliest period presented.

b. For all other entities, the pending content that links to this paragraph shall be effective for fiscal years beginning after December 15, 2024~~2023~~, and interim periods within fiscal years beginning after December 15, 2025~~2024~~. Early application is permitted. If early application is elected, the transition date shall be the beginning of the prior period presented. If early application is not elected, the transition date shall be the beginning of the earliest period presented.

Liability for future policy benefits and deferred acquisition costs

c. At the transition date~~beginning of the earliest period presented (that is, the transition date)~~, an insurance entity shall apply the pending content that links to this paragraph about the **liability for future policy benefits** and deferred **acquisition costs** (and balances amortized on a basis consistent with deferred acquisition costs, either as required by this Topic or as a result of an accounting policy election) to contracts **in force** on the basis of their existing carrying amounts at the transition date and by using updated cash flow assumptions, adjusted for the removal of any amounts in accumulated other comprehensive income.

d. For the liability for future policy benefits:
    1. For purposes of determining the ratio of **net premiums** to **gross premiums** and for purposes of interest accretion, an insurance entity shall retain the discount rate assumption that was used to calculate the liability immediately before the application of the pending content that links to this paragraph.
    2. The present value of future benefits and related expenses less the transition date carrying amount shall be compared with the present value of future gross premiums to calculate the ratio of net premiums to gross premiums.
    3. An insurance entity shall adjust the opening balance of retained earnings only to the extent that net premiums exceed gross premiums.
    4. An insurance entity shall compare the liability for the future policy benefits balance using the discount rate assumption in (d)(1) and the current discount rate (that is, the upper-medium-grade [low-credit-risk] fixed-income instrument yield as of the transition date). Any

resulting difference in the liability for the future policy benefits balance shall be recorded to opening accumulated other comprehensive income.

5. The transition date shall be considered the revised contract issue date for purposes of subsequent adjustments but not for purposes of contract grouping.
6. For contracts in force issued before the transition date, an insurance entity shall not group contracts together from different original contract issue years but shall group contracts into quarterly or annual groups on the basis of original contract issue date for purposes of calculating the liability for future policy benefits. For acquired contracts, the acquisition date shall be considered the original contract issue date.

e. An insurance entity may elect to apply the pending content that links to this paragraph retrospectively (with a cumulative catch-up adjustment to the opening balance of retained earnings or the opening balance of accumulated other comprehensive income, as applicable, as of the transition date) using actual historical experience information as of contract inception (or contract acquisition, if applicable). For consistency:
    1. An insurance entity shall apply the same transition method to both the liability for future policy benefits and deferred acquisition costs (and balances amortized on a basis consistent with deferred acquisition costs, either as required by this Topic or as a result of an accounting policy election).
    2. The retrospective election shall be made at the same contract issue-year level for both the liability for future policy benefits and deferred acquisition costs for that contract issue year and all subsequent contract issue years, on an entity-wide basis (that is, applied to all contracts and product types).
    3. Estimates of historical experience information shall not be substituted for actual historical experience information.
    4. An insurance entity shall apply the pending content that links to this paragraph in accordance with (c) and (d) for contracts issued (or acquired) before the earliest issue-year level elected for retrospective application.

Market risk benefits

f. At the transition date~~beginning of the earliest period presented (that is, the transition date)~~, an insurance entity shall apply the pending content that links to this paragraph on **market risk benefits** by means of retrospective application to all prior periods. An insurance entity shall maximize the use of relevant observable information as of contract inception and minimize the use of unobservable information in determining the market risk benefits balance at the transition date~~beginning of the earliest period presented~~. If retrospective application requires assumptions in the prior period that are unobservable or otherwise unavailable and cannot be independently substantiated, the insurance entity may use hindsight in determining those assumptions. The transition adjustment shall be recognized as follows:

1. The cumulative effect of changes in the instrument-specific credit risk between contract issue date and transition date shall be recognized in accumulated other comprehensive income as of the transition date.
2. The difference between **fair value** and carrying value at the transition date, excluding the amount in (f)(1), shall be recognized as an adjustment to the opening balance of retained earnings as of the transition date.

Transition disclosures

g. An insurance entity shall disclose the following information about the liability for future policy benefits and deferred acquisition costs (and balances amortized on a basis consistent with deferred acquisition costs, either as required by this Topic or as a result of an accounting policy election) in the year of adoption:
   1. A disaggregated tabular rollforward of the ending balance of the reporting period before the transition date to the opening balance at the transition date~~beginning of the earliest period presented~~ (consistent with the disaggregated tabular rollforward required by paragraphs 944-30-50-2B(a) and 944-40-50-6(a)). If an insurance entity elects to apply the transition guidance on a retrospective basis as described in (e), the insurance entity shall further disaggregate the rollforward between the effects of the retrospective application and the modified retrospective application.
   2. Qualitative and quantitative information about transition adjustments related to:
      i. The opening balance of retained earnings
      ii. Accumulated other comprehensive income
      iii. Net premiums exceeding gross premiums
      iv. The establishment of a premium deficiency as required in Subtopic 944-60.

h. An insurance entity shall disclose the following information about market risk benefits:

1. A disaggregated tabular rollforward of the ending balance of the reporting period before the transition date to the opening balance at the transition date~~beginning of the earliest period presented~~ (consistent with the disaggregated tabular rollforward required by paragraph 944-40-50-7B(a))
2. Qualitative and quantitative information about transition adjustments related to the opening balance of retained earnings and accumulated other comprehensive income.

Implementation guidance: retrospective transition

i. As stated in (e), at the transition date~~beginning of the earliest period presented (that is, the transition date)~~ an insurance entity has the option to apply the guidance on the liability for future policy benefits for traditional and limited-payment contracts on a retrospective basis at the issue-date contract aggregation level to all contract groups for that issue date and all subsequent issue dates. An insurance entity applying the retrospective approach at the transition date shall:
   1. Recalculate the net premiums as of the contract issue date by considering actual historical experience and updated future cash flow assumptions, discounted using a rate based on an upper-medium-grade (low-credit-risk) fixed-income instrument yield at the contract issue date. That newly determined discount rate represents the interest accretion rate to be used over the life of the contract.
   2. Use the revised net premiums to measure the liability for future policy benefits as of the transition date.
   3. Record a cumulative catch-up adjustment to the opening balance of retained earnings as of the transition date equal to the difference between the carrying value of the liability for future policy benefits (adjusted for the removal of any related amounts in accumulated other comprehensive income) and the liability for the future policy benefits balance calculated using the updated net premiums.

j. Additionally, at the transition date, an insurance entity shall compare the liability for the future policy benefits balance using the interest accretion rate and the current discount rate (that is, the upper-medium-grade [low-credit-risk] fixed-income instrument yield as of the transition date). Any resulting difference in the liability for the future policy benefits balance shall be recorded to accumulated other comprehensive income.

Implementation guidance: carryover basis transition

k. An insurance entity may have implemented the transition guidance in (c) to all or some contracts in force on the basis of their carrying amounts (adjusted for the removal of any related amounts in accumulated other comprehensive income) at the transition date (that is, the carryover basis) and updated future assumptions. The transition date shall be considered the revised contract issue date for purposes of subsequent adjustments but not for purposes of contract grouping; the original contract issue date shall be used for purposes of contract grouping, and contracts from different original contract issue years shall not be grouped.

l. At the transition date, an insurance entity shall update future cash flow assumptions and calculate net premiums using the ratio of the present value of remaining expected benefits and expense amounts less the carryover basis to the present value of expected remaining gross premiums (see Example 7 beginning in paragraph 944-40-55-29P).

m. In determining the ratio of net premiums to gross premiums at the revised contract issue date, an insurance entity shall apply the discount rate assumption that was used to calculate the existing liability for future policy benefits (that is, the discount rate in effect immediately before the transition date shall be retained and used in subsequent reporting periods for the purpose of determining the ratio of net premiums to gross premiums and for the purpose of interest accretion). Additionally, at the transition date, an insurance entity shall compare the liability for the future policy benefits balance using the interest accretion rate and the current discount rate (that is, the upper-medium-grade [low-credit-risk] fixed-income instrument yield as of the transition date). Any resulting difference in the liability for the future policy benefits balance shall be recorded to accumulated other comprehensive income.

n. If the transition date adjustment related to updating cash flow assumptions is unfavorable because the expected net premiums exceed the expected gross premiums (that is, the present value of remaining expected benefits and expenses less the carryover basis exceeds the present value of expected gross premiums), an insurance entity shall:
    1. Adjust the liability for future policy benefits at the transition date for the removal of any related amounts in accumulated other comprehensive income
    2. Set net premiums equal to gross premiums
    3. Increase the liability for future policy benefits and, for **limited-payment contracts**, reduce the deferred profit liability balance to zero
    4. Recognize a corresponding adjustment to the opening balance of retained earnings
    5. Disclose information related to the adverse development that results in net premiums exceeding gross premiums (see paragraph 944-40-50-6(d)).

o. If the transition date adjustment related to updating cash flow assumptions is unfavorable but does not result in net premiums exceeding gross premiums, an insurance entity shall:
   1. Adjust the liability for future policy benefits at the transition date for the removal of any related amounts in accumulated other comprehensive income
   2. Not increase the liability for future policy benefits, except for limited-payment contracts, in which case any reduction to the deferred profit liability shall be offset with a corresponding increase in the liability for future policy benefits
   3. Not recognize an adjustment to the opening balance of retained earnings
   4. Apply the newly determined ratio of net premiums to gross premiums as of the transition date, until assumptions are subsequently updated.

p. If the transition date adjustment related to updating cash flow assumptions is favorable, an insurance entity shall:
   1. Adjust the liability for future policy benefits at the transition date for the removal of any related amounts in accumulated other comprehensive income
   2. Not decrease the liability for future policy benefits, except for limited-payment contracts, in which case any increase in the deferred profit liability shall be offset with a corresponding decrease in the liability for future policy benefits
   3. Not recognize an adjustment to the opening balance of retained earnings
   4. Apply the newly determined ratio of net premiums to gross premiums as of the transition date.

Pending Content:

Transition Date: *(P) December 16, ~~2021~~2022; (N) December 16, ~~2023~~2024* | **Transition Guidance:** 944-40-65-2

Note: These transition date changes will be made in a Maintenance Update.

The amendments in this proposed Update were approved for publication by six members of the Financial Accounting Standards Board. Ms. Botosan voted against publication of the amendments. Her alternative view is set out at the end of the basis for conclusions.

Members of the Financial Accounting Standards Board:

Russell G. Golden, *Chairman*
James L. Kroeker, *Vice Chairman*
Christine A. Botosan
Gary R. Buesser
Susan M. Cosper
Marsha L. Hunt
R. Harold Schroeder

Background Information, Basis for Conclusions, and Alternative View

Introduction

BC1. The following summarizes the Board's considerations in reaching the conclusions in this proposed Update. It includes reasons for accepting certain approaches and rejecting others. Individual Board members gave greater weight to some factors than to others.

Background

BC2. In August 2018, the Board issued Update 2018-12 to improve, simplify, and enhance the financial reporting requirements for long-duration contracts issued by insurance entities. For public business entities, LDTI originally would have been effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020, with early application permitted. For all other entities, LDTI originally would have been effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022, with early application permitted.

BC3. In November 2019, the Board issued Update 2019-09, which deferred the original effective date of LDTI for all entities as follows, with early application permitted:

a. For public business entities that meet the definition of an SEC filer (per the Codification's Master Glossary definition), excluding entities eligible to be smaller reporting companies (SRCs) as defined by the SEC, the guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2021. The one-time determination of whether an entity is an SRC is based on an entity's most recent determination as of November 15, 2019, in accordance with SEC regulations.
b. For all other entities, the guidance is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024.

BC4. The COVID-19 pandemic is adversely affecting the global economy and causing significant and widespread business and capital market disruptions. In consideration of the implications of the pandemic on an insurance entity's ability to effectively implement LDTI, the objective of this proposed Update is to provide (a) additional time for implementation by deferring the LDTI effective date by one year for all insurance entities and (b) transition relief to facilitate early application of LDTI and encourage accelerated delivery of better information to investors and other financial statement users.

Benefits and Costs

BC5. The objective of financial reporting is to provide information that is useful to present and potential investors, creditors, and other capital market participants in making rational investment, credit, and similar resource allocation decisions. However, the benefits of providing information for that purpose should justify the related costs. Present and potential investors, creditors, and other users of financial information benefit from improvements in financial reporting, while the costs to implement new guidance are borne primarily by present investors. The Board's assessment of the costs and benefits of issuing new guidance is unavoidably more qualitative than quantitative because there is no method to objectively measure the costs to implement new guidance or to quantify the value of improved information in financial statements.

BC6. Overall, the Board concluded that the expected benefits of the amendments in this proposed Update would justify the expected costs. The amendments would defer the LDTI effective date and provide transition relief for insurance entities. Therefore, the Board does not anticipate that entities would incur significant costs, if any, as a result of the amendments.

BC7. The Board does recognize that this proposal of a second deferral of LDTI would further delay the benefit to financial statement users from receiving more decision-useful information, particularly during a global pandemic and a prolonged period of low interest rates. However, the Board believes that absent an effective date deferral, some insurance entities may have insufficient time or resources to provide a quality implementation for financial statement users. For those entities, the additional time provided would improve the financial reporting for financial statement users once LDTI becomes effective.

BC8. Additionally, the Board recognizes that some insurance entities may decide to continue with their existing plans to adopt LDTI under their current timelines while managing the business disruption effects of COVID-19. The proposed transition date alignment to facilitate early application of LDTI would provide relief to those entities, thereby providing those entities with greater opportunity to furnish the more decision-useful information to users without further delay.

Basis for Conclusions

Effective Date Deferral

BC9. The Board decided to defer the effective date of LDTI for all entities by one year in this proposed Update. For SEC filers, excluding entities eligible to be SRCs as defined by the SEC, LDTI would be effective for fiscal years, including interim periods within those fiscal years, beginning after December 15, 2022. For all other entities, LDTI would be effective for fiscal years beginning after December 15, 2024, and interim periods within fiscal years beginning after December 15, 2025.

BC10. The Board and its staff performed outreach with insurance entities and public accounting firms to understand the extent to which COVID-19 has disrupted LDTI implementation efforts. Insurance entities have experienced some degree of business disruption since the onset of the pandemic, and most were expecting that disruption to persist in some form well into the future. Therefore, these long-term disruptions necessitate a permanent recalibration of implementation plans over the remaining adoption period to reflect the new working environment.

BC11. Specifically, most insurance entities indicated that a one-year deferral of the LDTI effective date would provide enough time to resolve experienced disruptions and provide sufficient buffer for potential future or long-term disruptions caused by COVID-19, making additional future deferrals unnecessary. Public accounting firms provided similar observations, noting that they have not observed major delays in implementation timelines and that the COVID-19 pandemic has resulted in work inefficiencies rather than complete work stoppages. Also, responses to recent industry surveys conducted after the onset of the pandemic imply that most insurance entities remain largely on track with LDTI implementation.

BC12. Several insurance entities allocated the extra time provided by the 2019 deferral to back-end matters such as parallel testing and dry runs; those entities have made strong progress and, while COVID-19 has resulted in some inefficiencies, they have some flexibility in their timelines. Therefore, those entities are not significantly behind schedule. In contrast, other insurance entities allocated the extra time provided by the previous deferral to front-end matters such as systems design or accounting policy decisions and, therefore, have yet to fully complete milestones in the early stages of their implementation timelines. COVID-19 is having a more significant effect on those entities.

BC13. After considering feedback, the Board agreed with the recommendation from insurance entities that a one-year deferral would provide sufficient time to address the current and potential future COVID-19-related disruptions on implementation timelines. Those insurance entities noted that a one-year deferral would enable them to recalibrate their implementation activities to the new, longer term operating environment emerging from the pandemic, making additional future deferral requests unnecessary.

Early Application Transition Relief

BC14. The Board decided to amend the LDTI early application transition date from the beginning of the earliest period presented to the beginning of the prior period presented. The amendment in this proposed Update would result in the alignment of the early application transition date with the standard application transition date for SEC filers. For example, a large calendar-year public insurance entity would reflect LDTI as of January 1, 2021 (and record a transition adjustment as of that date) (a) in its 2022 financial statements if the entity elects early application or (b) in its 2023 financial statements if the entity does not elect early application.

BC15. The objective of the transition date alignment is to provide interrelated benefits including certainty and flexibility for insurance entities while encouraging the early application of LDTI to accelerate the delivery of better information to investors and other financial statement users.

BC16. An insurance entity would benefit from having certainty about the transition date because the transition date would be independent of whether an insurance entity chooses to early adopt LDTI. That certainty would enable an insurance entity to calculate and analyze its LDTI transition adjustment early in its implementation process, while maintaining the flexibility to decide at a later date whether it may want to early adopt the LDTI guidance. Given the remaining uncertainty around the lasting effects of the COVID-19 pandemic, together with feedback from many insurance companies that they remain largely on track with their implementation plans, the Board concluded that the certainty and increased flexibility provided by the early application improvement would enable those entities to adjust their implementation plans with greater agility in response to the effects of the pandemic. The Board observed that insurance entities have an economic incentive to move forward and adopt the LDTI guidance as quickly as possible and that doing so may demonstrate industry leadership, which could be viewed positively by their investors.

BC17. Additionally, investors and other financial statement users would benefit from an insurance entity electing to early adopt the LDTI guidance because users would receive more transparent and decision-useful information earlier than they otherwise would have under the deferred effective date in this proposed Update. The Board acknowledged that the expected cost of improving the operability of the early application guidance would be to reduce the number of comparable reporting periods from two to one; however, the expected benefit of providing better information to investors one year earlier than the proposed effective date would justify the adverse consequence of having one less year of comparability.

Alternative View

BC18. Ms. Botosan does not support the proposed additional one-year deferral of the LDTI effective date for all insurance entities.

BC19. The Board received the request to consider deferral before any long-lasting business disruption effects were known, and the results of the outreach with eight long-duration insurance entities indicates that those effects remain largely unknown. Most of those insurers indicated that they have not missed any major implementation deadlines to date or would have the ability to adjust project timelines to remain on track to implement LDTI by 2022. That is consistent with (a) feedback from several LDTI implementation consultants, which indicated that they had not observed major delays in timelines, and (b) responses to two recent surveys that imply that 75 to 80 percent of entities remain largely on track with LDTI implementation. Thus, Ms. Botosan does not believe that the evidence suggests a pervasive need for more time for implementation.

BC20. Although Ms. Botosan does not find the evidence of insurers' need for more time compelling, Ms. Botosan believes that investors and policyholders have demonstrated a compelling need for more decision-useful information sooner rather than later. Throughout the 12-year duration of the long-duration insurance project, investors consistently have indicated that the existing insurance accounting model does not provide timely, transparent, and decision-useful information. During recent earnings calls, investors asked questions that would be specifically addressed by the new insurance guidance. A member of the FASB Investor Advisory Committee expressed no support for further delay and indicated that investors are awaiting the improvements resulting from LDTI. A recent insurance industry outlook report prepared by a large investment banking house expressed concern about the quality of long-duration insurers' reported earnings and book values. The March 20, 2020 American Council of Life Insurers (ACLI) letter requesting the deferral acknowledged that because of COVID-19, capital markets are extremely challenged and greater communication with the investor community is essential.

BC21. Ms. Botosan believes that continuing to provide opaque, non-timely, non-decision-useful financial information through 2023 for the largest public long-duration insurers and through 2025 for all other long-duration insurers would harm investors and policyholders. This is particularly true because investors and policyholders struggle to assess (a) the longer term effects of the pandemic and (b) a prolonged period of low interest rates on the financial health of insurers.

BC22. In addition, Ms. Botosan believes that an added delay would harm the insurance industry, which struggles to attract investors and experiences a higher cost of capital due, in part, to poor financial reporting quality.

BC23. For those reasons, Ms. Botosan believes that continuing to monitor LDTI implementation efforts for evidence of actual disruptions rather than anticipating the potential for disruption would constitute a more prudent approach.

Amendments to the XBRL Taxonomy

The provisions of this Exposure Draft, if finalized as proposed, would not require improvements to the current U.S. GAAP Financial Reporting Taxonomy (Taxonomy). However, the provisions of this Exposure Draft may affect the timing of changes to references and deprecations in future Taxonomies. Any stakeholders who believe that improvements to the Taxonomy are required should provide their comments and suggested improvements through Proposed Taxonomy Improvements provided at www.fasb.org.