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Insurance Spotlight
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In This Issue

FASB Proposes Improvements to the Accounting for Long-Duration Insurance Contracts

The Bottom Line

- The FASB has issued a proposed Accounting Standards Update (ASU)[1] on long-duration insurance contracts. Comments are due by December 15, 2016.
- The proposal would amend both the accounting and disclosure requirements under U.S. GAAP for insurers that issue long-duration insurance contracts.
- The FASB believes that its targeted improvements would provide more timely and more useful information to financial statement users in addition to simplifying how insurers apply certain aspects of the accounting model.
- The proposal would require insurers to provide additional disclosures in annual and interim periods about the liability for future policy benefits, the liability for policyholders' account balances, market risk benefits, deferred acquisition costs (DAC), sales inducements, and separate accounts.
- Insurers would generally apply the amendments retrospectively and provide certain transition-specific disclosures.

[1] FASB Proposed Accounting Standards Update, *Targeted Improvements to the Accounting for Long-Duration Contracts*.

Beyond the Bottom Line

This publication highlights key aspects of the proposed targeted improvements to the accounting for long-duration insurance contracts. For convenience, the questions for respondents are reproduced in the appendix.

Introduction

The FASB recently issued a proposed ASU that would amend the accounting and disclosure model for long-duration insurance contracts under U.S. GAAP. The Board believes that its proposal will improve the following areas of financial reporting for long-duration insurance contracts:

- Measurement of the liability for future policy benefits.
- Market risk benefits.
- Measurement of the additional liability for contracts with annuitization or death or other insurance benefits.
- DAC amortization and impairment.
- Disclosures.

Scope

The proposed amendments would not change the types of entities that are subject to the long-duration insurance contract accounting and disclosure guidance under ASC 944.[2]

Liability for Future Policy Benefits

The proposed amendments would introduce a number of changes related to the measurement of the liability for future policy benefits for traditional, limited-payment, and participating long-duration contracts. The changes would affect the cash flow assumptions that insurers use to initially measure the liability, the discount rate used for measurement, the frequency of updating the cash flow and discount rate assumptions, and the accounting for those updates.

Initial Measurement

Under the revised measurement model, an insurer's initial measurement of the liability for future benefits would incorporate various assumptions, including:

- Discount rate.
- Mortality/morbidity.
- Terminations/lapses.
- Expenses (excluding acquisition costs and costs required to be charged to expense as incurred).
- Policyholder dividends (based on estimates of dividends expected to be paid to policyholders).
- Those related to guaranteed contract benefits (e.g., coupons, annual endowments, and conversion privileges).

The insurer would be prohibited from adding a provision for the risk of adverse deviation to its assumptions.

[2] For titles of *FASB Accounting Standards Codification* (ASC) references, see Deloitte's "Titles of Topics and Subtopics in the *FASB Accounting Standards Codification*."

Discount Rate

Under the proposal, an insurer would measure the liability for future policy benefits by using a discount rate that (1) is based on the yield of a high quality, fixed-income instrument and (2) reflects the duration characteristics of the liability. In determining the rate, the insurer would "maximize the use of relevant observable inputs and minimize the use of unobservable inputs." This model is different from ASC 944's current requirement that an insurer measure the liability for traditional and limited-payment contracts by using a discount rate that is based on an estimated investment yield of the insurer's underlying asset portfolio (net of related investment expenses) or the interest rate guaranteed to policyholders for participating contracts; however, the Board, in making its decision, hoped to provide better information about the insurer's duration risk and the spread between its investment returns and liability accretion.

Thinking It Through

In the proposed ASU's Basis for Conclusions, the Board notes that it emphasized operability when it developed the discount rate guidance. The Board believes that information about high-quality rates is generally available through multiple sources and that such rates would "approximate a risk-free rate plus liquidity adjustment." In addition, the Board states that "any adjustment for uncertainty in cash flow variability not reflected in that rate would be captured in the development of the estimated cash flows." The Board acknowledges, however, that no observable market prices may exist for certain points on the yield curve (e.g., for the tail end of very long-term liabilities) and that there may be periods of "market dislocation." In such circumstances, an insurer would estimate the discount rate using the fair value measurement guidance included in U.S. GAAP (e.g., develop a Level 3 measurement).

Frequency of Assumption Updates

An insurer would update the cash flow assumptions used to measure the liability for future policy benefits annually (at the same time each year), or more frequently if actual experience or other evidence indicated that another update was warranted. An insurer would update its discount rate assumptions in both annual and interim reporting periods (i.e., quarterly for public business entities).

Thinking It Through

In the proposed ASU's Basis for Conclusions, the Board indicated its belief that "a liability measured with updated assumptions provides more decision-useful information and more faithfully represents the insurance entity's obligation because it gives users a more current view of an insurance entity's expected future cash flows, as opposed to a historical view that includes a provision for adverse deviation."

Accounting for Assumption Updates

When an insurer updates its cash flow assumptions, it does so retrospectively; therefore, the insurer would use its actual historical experience since contract inception and its updated future cash flow assumptions to recalculate a revised net premium ratio (computed as the ratio of the present value of total expected benefits (including policyholder dividends) and expenses (excluding acquisition costs and costs required to be charged to expense as incurred) to the present value of total expected gross premiums). It would then (1) compute revised estimates of net premiums by applying the new net premium ratio, (2) compute an updated liability for future policy benefits, and (3) compare that updated liability, discounted at the original discount rate, with the liability's previous carrying amount (excluding the effect of previous discount rate changes) and recognize a cumulative catch-up adjustment in current-period earnings. Thereafter, the insurer would accrue the liability for future policy benefits by using the revised net premium ratio (until the next assumption update). However, in situations in which the revised cash flow assumptions indicate that the present value of future benefits and expenses would exceed gross premiums, the insurer must recognize an immediate charge in that period's benefit expense so that net premiums will equal gross premiums (i.e., the net premium ratio cannot exceed 100 percent). Unlike current U.S. GAAP, the revised accounting model does not prescribe a premium deficiency test.

The insurer would update its discount rate assumption by using an "immediate approach." Under this approach, the insurer would compare the balance of the liability for future policy benefits (computed by using the updated cash flow assumptions) discounted by using the new discount rate with the balance calculated in the prior paragraph; that is, by using updated cash flow assumptions and the original discount rate (i.e., the rate at contract issuance). The insurer would then recognize the difference as an adjustment to other comprehensive income (OCI) at the time the discount rate is updated (i.e., in the current period); however, the liability's interest accretion rate would remain the discount rate that was in effect at contract issuance.

Insurers would recognize experience adjustments in the period in which they occur.

Market Risk Benefits

The proposal would introduce new accounting requirements for certain market risk benefits. Common market risk benefits include features that provide protection for adverse investment performance in those variable contracts that allow the contract holder to direct all or a portion of the account balance into an investment that passes through risks and rewards to the contract holder. Such features are commonly known as GMxBs, or guaranteed minimum benefit features (e.g., guaranteed minimum death benefits or guaranteed minimum income benefits), but they may include other contract features.

Under current U.S. GAAP, an insurer may not account for such features in the same way, even though the features share some common characteristics. Some features may be accounted for as embedded derivatives (typically guaranteed minimum withdrawal or accumulation benefits (GMWBs or GMABs)), while others (e.g., guaranteed minimum income or death benefits (GMIBs or GMDBs)) may be accounted for as insurance under ASC 944. This disparate accounting treatment also may make it challenging for insurers to hedge such exposures related to GMIBs and GMDBs.

Specifically, the proposed amendments apply to market risk benefits that meet both of the following criteria:

a. Contract: The contract holder has the ability to direct funds to one or more separate account investment alternatives maintained by the insurance entity, and investment performance, net of contract fees and assessments, is passed through to the contract holder. The separate account need not be legally recognized or legally insulated from the general account liabilities of the insurance entity.
b. Benefit: The insurance entity provides a benefit protecting the contract holder from adverse capital market performance, exposing the insurance entity to other-than-nominal capital market risk.[3]

The scope of ASC 815, which addresses derivative accounting, would exclude qualifying market risk benefits.

[3] The proposal states that "A nominal risk . . . is a risk of insignificant amount or a risk that has a remote probability of occurring. A benefit is presumed to have other-than-nominal capital market risk if the net amount at risk (that is, the guaranteed benefit in excess of the account balance, cash value, or similar amount) varies [by] more than an insignificant amount in response to capital market volatility. Capital market risk includes equity, interest rate, and foreign exchange risk."

Measurement

The proposal would require an insurer to initially measure a liability (or possibly an asset) for market risk benefits[4] at fair value. The insurer would recognize subsequent changes in fair value in current earnings; however, any changes in fair value attributable to changes in the instrument-specific credit risk would be recognized in OCI.

Thinking It Through

In the proposal's Basis for Conclusions, the Board acknowledged that other products offered by insurance entities, such as equity-indexed annuities, may contain benefits similar to the market risk benefits contained in variable products. The Board believes that improving the accounting for variable products will address most stakeholder concerns; however, Question 13 in the questions for respondents solicits stakeholder views on whether the scope of the market risk benefits guidance is appropriate.

Presentation

An insurer would separately present (1) the carrying amount of market risk benefits in the statement of financial position and (2) the change in fair value related to market risk benefits in net income (other than that portion of the fair value change attributable to changes in the instrument-specific credit risk, which would be reported in OCI).

Contracts With Annuitization or Death or Other Insurance Benefits

An insurer that writes contracts with (1) annuitization or (2) death or other insurance benefits first would assess whether those benefit features meet the definition of market risk benefits; if so, it would apply the market benefit guidance described above. If the benefit feature do not satisfy the market risk benefit criteria, the insurer next would assess whether those features should be accounted for as derivatives or embedded derivatives under ASC 815. If the benefits do not meet the derivative criteria, the insurer would gauge whether "amounts assessed against the contract holder each period for the [contract] feature are assessed in a manner that is expected to result in profits in earlier years and losses in subsequent years from the [contract] benefit function."[5] If so, in addition to the account balance, the insurer would record an additional liability (1) for the death or other insurance benefits or (2) for the annuitization benefits, if their present value at the anticipated annuitization date exceeds the expected account balance at that date.

The proposal also would modify certain aspects of how the additional liability for annuitization or death or other insurance benefits is computed. Under the proposed amendments:

- For death or other insurance benefits, the amounts in the numerator and denominator of the benefit ratio would be discounted at the contract rate, defined as "either the rate in effect at the inception of the book of contracts or the latest revised rate applied to the remaining benefit period." In subsequent revisions to the benefit ratio computation, an insurer would need to consistently apply its chosen method of computing the present value of the revised estimates.
- For annuitization benefits, an insurer would compute the numerator of the benefit ratio as the "present value of expected annuitization payments to be made and related incremental claim adjustment expenses discounted at a high-quality fixed-income instrument yield applicable to the payout phase of the contract, minus the expected accrued account balance at the expected annuitization date. . . . The excess

[4] When a long-duration contract has multiple market risk benefits, an insurer must bundle those benefits together into a single, compound market risk benefit.

[5] An insurer would determine whether it expects profits to be followed by losses at contract inception and in subsequent periods when it updates assumptions.

of the present value payments to be made during the payout phase of the contract over the expected accrued account balance at the expected annuitization date shall be discounted at the contract rate." To calculate the denominator of the benefit ratio, the insurer would also discount the present value of total expected assessments during the accumulation phase of the contract using the contract rate.

- Total expected assessments would (1) exclude any assessments included in the measurement of market risk benefits but (2) include investment margin for those contracts whose assets are reported in the general account (i.e., the anticipated investment returns on policyholder balances less amounts credited to those balances).
- The benefit ratio would be capped at 100 percent. At any point during the life of the contract, an insurer would recognize an immediate loss to the extent that it expects the present value of excess payments to exceed the present value of assessments.
- Experience assumptions would be updated in subsequent periods.

Deferred Acquisition Costs

Although the proposed amendments would not change (1) the types of acquisition costs that qualify for capitalization or (2) the level of contract aggregation at which DAC are determined, the amendments would change the manner and timing of DAC amortization.

Under the existing guidance in ASC 944, insurers may use different methods to amortize DAC, depending on the product type. Under the proposal, most DAC would be amortized "in proportion to the undiscounted amount of insurance in force." If the insurer cannot reasonably estimate the amount of insurance in force over the expected term of the related contract,[6] it would amortize the DAC on a straight-line basis.[7] No interest would accrue on the balance of unamortized DAC.

An insurer would amortize DAC by using termination or in-force assumptions that are consistent with those used to determine the liability for future policy benefits or related balances for the associated contracts. The insurer would also (1) adjust the DAC balance to reflect actual experience that exceeds expected experience (e.g., an unexpected contract termination; however, changes in a contract's profitability would not trigger an adjustment to DAC) and (2) prospectively treat the effects of any changes in future estimates (e.g., a change in lapse or mortality assumptions) as a change in accounting estimate. Moreover, when the insurer determines amortization expenses, it would ignore any anticipated future renewal expenses until such expenses are actually incurred.

Insurers that write certain investment contracts with specified features would continue to amortize the DAC for those contracts "using an accounting method that recognizes costs as expenses at a constant rate applied to net policy liabilities and that is consistent with the interest method."

Under the proposal, an insurer would not assess DAC for impairment.

Revenue Recognition for Limited-Payment Contracts

Under ASC 944, insurers defer the amount of any gross premium received over net premiums for limited-payment contracts. An insurer recognizes these amounts deferred ("the deferred profit liability") in income either in a constant relationship with the discounted amount of (1) insurance in force (for life insurance contracts) or (2) the amount of expected future benefit

[6] This might be the case with universal life-type or investment contracts.

[7] The amendments to ASC 944-30-35-3 clarify that "For contracts with accumulation and payout phases, the payout phase shall be viewed as a separate contract . . . and shall not be combined with the accumulation phase for amortization of capitalized acquisition costs."

payments (for annuity contracts) and accrues interest on the unamortized balance. Under the proposed amendments, insurers would:

- Use a high-quality fixed-income investment yield as the discount rate.
- Accrete interest using the original discount rate at the date of contract issuance.
- Update the cash flow assumptions used to determine changes in the deferred profit liability annually, at the same time each year, or more frequently if warranted by actual experience or other evidence.
- Recalculate the deferred profit liability as of the contract issue date on the basis of (1) actual historical experience and (2) the updated cash flow assumptions (i.e., on a retrospective basis).
- Recompute the unamortized basis of the deferred profit liability as of the end of the current period by determining the amount of amortization that would have been recognized by applying its amortization method from the contract issue date up to the current period.
- Compare the recomputed amount of the deferred profit liability to its current carrying amount and recognize a cumulative catch-up adjustment in current-period benefit expense.

Disclosures

The proposed amendments would require enhanced disclosure for both interim and annual financial statements. An insurer would aggregate or disaggregate the disclosures "so that useful information is not obscured by either the inclusion of a large amount of insignificant detail or the aggregation of items that have significantly different characteristics." The following table highlights key disclosures that an insurer would provide under the proposal:

Account	Disclosure Format	Include Separate Disclosure of:
Liability for future policy benefits and additional liability for annuitization, death, or other insurance benefits	Disaggregated tabular rollforward of the opening to closing balance and other quantitative and qualitative disclosures	For the liability for future policy benefits, the disaggregated tabular rollforward should separately present the expected future net premiums and expected future benefits. The rollforward also should be accompanied by information about the undiscounted ending balances of expected future net premiums and benefits, gross premiums recorded, related reinsurance receivables, and the weighted-average duration of the liability, as well as quantitative and qualitative information on the significant inputs, judgments, and assumptions used in the measurement. The disaggregated rollforwards should be reconciled to (1) the liability balance in the statement of financial position and (2) the total interest and gross premiums recognized in the statement of operations. An insurer also would need to provide qualitative and quantitative information about (1) adverse development at the level of aggregation at which the reserves were calculated that resulted in a charge to benefit expense in the current period and (2) for contracts for which no liability was recognized, the significant inputs, judgments, and assumptions used to conclude that no future losses are expected.

(Table continued)

Account	Disclosure Format	Include Separate Disclosure of:
Liability for policyholders' account balances (excluding separate accounts)	Disaggregated tabular rollforward of the opening to closing balance and other quantitative and qualitative disclosures	For each disaggregated tabular rollforward, an insurer should separately disclose the weighted-average earned and crediting rates, guaranteed benefit amounts in excess of current balances, and cash surrender value, and the insurer should reconcile the disaggregated rollforwards to the aggregate ending carrying amount of the liability. Insurers also should provide a table showing policyholders' account balances by the range of guaranteed minimum crediting rates and the related range of the difference between the guaranteed minimum rates and the rates credited to policyholders. Further, an insurer would provide qualitative and quantitative disclosures about its objectives, policies, and processes for managing the related risks, including information about any hedging activities used to manage capital market risk.
Market risk benefits	Disaggregated tabular rollforward of the opening to closing balance and other quantitative and qualitative disclosures	In addition to providing disaggregated tabular rollforwards by type of market risk benefit, an insurer should disclose the guaranteed benefit amounts in excess of current account balances and qualitative and quantitative information about the methods, significant inputs, judgments, and assumptions used to measure the market risk benefits. The insurer also should reconcile the disaggregated rollforwards to the aggregate ending carrying amount, disaggregated between asset and liability positions. Further, the insurer should provide quantitative and qualitative information about its objectives, policies, and processes for managing the related risks, including any hedging activities undertaken to manage capital market risks.
Unamortized DAC	Disaggregated tabular rollforward of the opening to closing balance	In addition to providing the disaggregated tabular rollforward, the insurer would disclose the nature of capitalized acquisition costs and provide qualitative and quantitative information about the inputs, judgments, assumptions, and methods used to determine the amortization amounts.
Sales inducements	Disaggregated tabular rollforward of the opening to closing balance	In addition to providing the disaggregated tabular rollforward, the insurer would disclose its accounting policy for sales inducements and provide qualitative and quantitative information about the inputs, judgments, assumptions, and methods used to determine the amortization amounts.
Separate accounts	Disaggregated tabular rollforward of the opening to closing balance	In addition to providing the disaggregated tabular rollforwards, the insurer would disclose the related cash surrender values and reconcile the rollforwards to the aggregated ending carrying amount of the separate account liability. The insurer also would describe the general nature of contracts reported in the separate accounts and the basis for presentation for (1) separate account assets and liabilities and (2) related separate account activity. Furthermore, the insurer would continue to provide information about the aggregate fair value of assets, by asset category, supporting separate accounts and the amount of gains and losses generated by asset transfers to the separate accounts.

Effective Date and Transition

Effective Date

The proposal does not provide an effective date; however, the questions for respondents solicit feedback about the effective date and transition period.

Transition Approach

The proposed ASU provides the following account-specific transition guidance:

Liability for Future Policy Benefits

"At the beginning of the earliest period presented" (the transition date), for each level of aggregation at which reserves are calculated, an insurer would apply the new guidance retrospectively "to the contract issue date using actual historical information" and make an offsetting cumulative catch-up adjustment to the opening retained earnings balance of the earliest period presented. If the "actual historical information covering the entire contract period is not available at the level of aggregation at which" the insurer calculates the reserves, the insurer may derive estimates of that historical information from objective information for those periods for which the information was unavailable.[8] Those would be considered the actual historical amounts for subsequent adjustments.

When an insurer is applying the retrospective approach, it also would recognize in accumulated other comprehensive income (AOCI) the cumulative effect of changes in the liability's discount rate between the contract issue date and the transition date.

If the insurer determines instead that it is impracticable to apply this approach to the liability for future policy benefits retrospectively to the contract issue date at the level of aggregation at which reserves are calculated, the insurer would apply the new guidance "to in force contracts on the basis of their existing carrying amounts at the transition date and by using updated assumptions, adjusted for the removal of any amounts in [AOCI]." The insurer would (1) calculate a revised net premium ratio "using the ratio of the present value of remaining expected benefits and expense amounts less the existing liability for future policy benefits adjusted for the removal of any related amounts in [AOCI (i.e., the carryover basis)] to the present value of expected remaining gross premiums" and (2) adjust the opening balance of retained earnings "to the extent that net premiums exceed gross premiums." For subsequent measurements, the insurer would view the transition date as the contract issue date.

Market Risk Benefits

As of the transition date, an insurer would measure market risk benefits at fair value. The insurer would recognize in AOCI that portion of the difference between the fair value of the market risk benefits and their carrying value at the transition date attributable to cumulative changes in the instrument-specific credit risk between the contract issue and transition dates; the remainder of the difference would be recorded as an adjustment to opening retained earnings.

Deferred Acquisition Costs

As of the transition date, an insurer would apply the DAC amortization guidance "to the existing [DAC] carrying amounts" after adjusting "for the removal of any related amounts" in AOCI.

8 The proposal indicates that an insurer's efforts to obtain such information need not be "exhaustive"; however, the insurer should consider all objective information that is reasonably available.

Transition Disclosures

In the year of adoption, an entity would disclose:

- Information required by ASC 250-10-50-1 through 50-3 about a change in accounting principle "on a disaggregated basis consistent with that which will be used for recurring disclosures."
- "If retrospective application is impracticable, the portion of the liability for future policy benefits at the transition date not subject to retrospective application."
- "Qualitative and quantitative information about transition adjustments related to . . . [n]et premiums exceeding gross premiums" and the "establishment of an additional liability for a universal life-type or an investment contract."

Comparison With IFRSs

The IASB is expected to issue a new insurance accounting standard in the next couple of months. Certain aspects of the accounting and disclosure model for insurance contracts under the anticipated IASB guidance would differ significantly from those in the FASB's proposed ASU. Moreover, the IASB's model, unlike the proposed ASU's entity-based model, is contract-based and would apply to any entity that writes a contract that meets the definition of "insurance" under the IASB's standard (with some exceptions). Under the IASB's approach, a single accounting model would be applied to all insurance contracts (although a practical expedient would be provided for certain contracts, generally short-duration contracts, that meet specified criteria). The FASB's proposal would affect only the accounting for long-duration contracts; therefore, U.S. GAAP would continue to have different accounting models for short-duration and long-duration contracts even after adoption of the proposed ASU. Additional information about the anticipated IASB model is available on Deloitte's IASPlus Web site.

Next Steps

Comments on the proposal are due by December 15, 2016. The Board also plans to hold public roundtable meetings on the proposal in the first quarter of 2017; those wishing to participate must submit their comments in writing by December 15, 2016.

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Appendix — Questions for Respondents

The proposed ASU's questions for respondents are reproduced below for ease of reference.

Liability for Future Policy Benefits — Contracts Other Than Participating Contracts

Question 1 — Scope: Do you agree with the scope of the proposed amendments on the accounting for the liability for future policy benefits for contracts other than participating contracts? If not, what types of contracts, contract features, or transactions should be included in or excluded from the scope and why?

Question 2 — Cash flow assumption update method and presentation: Do you agree that the effect of updating cash flow assumptions should be calculated and recognized on a retrospective basis in net income? If not, what other approach or approaches do you recommend and why?

Question 3 — Cash flow assumption update frequency: Do you agree that cash flow assumptions should be updated on an annual basis, at the same time every year, or more frequently if actual experience or other evidence indicates that earlier assumptions should be revised? If not, what other approach or approaches do you recommend and why?

Question 4 — Discount rate assumption: Do you agree that expected future cash flows should be discounted on the basis of a high-quality fixed-income instrument yield that maximizes the use of current market observable inputs? If not, what other approach or approaches do you recommend and why?

Question 5 — Discount rate assumption update method and presentation: Do you agree that the effect of updating discount rate assumptions should be recognized immediately in other comprehensive income? If not, what other approach or approaches do you recommend and why?

Question 6 — Discount rate assumption update frequency: Do you agree that discount rate assumptions should be updated at each reporting date? If not, what other approach or approaches do you recommend and why?

Liability for Future Policy Benefits — Participating Contracts

Question 7 — Scope (participating contracts): Do you agree with the scope of the proposed amendments on the accounting for the liability for future policy benefits for participating contracts, including closed block contracts issued by a demutualized insurance entity? If not, what types of contracts, contract features, or transactions should be included in or excluded from the scope and why?

Question 8 — Cash flow assumption update method and presentation (participating contracts): Do you agree that the effect of updating cash flow assumptions should be calculated and recognized on a retrospective basis in net income? If not, what other approach or approaches do you recommend and why?

Question 9 — Cash flow assumption update frequency (participating contracts): Do you agree that cash flow assumptions should be updated on an annual basis, at the same time every year, or more frequently if actual experience or other evidence indicates that earlier assumptions should be revised? If not, what other approach or approaches do you recommend and why?

Question 10 — Discount rate assumption (participating contracts): Do you agree that expected future cash flows should be discounted on the basis of a high- quality fixed-income instrument yield that maximizes the use of current market observable inputs? If not, what other approach or approaches do you recommend and why?

Question 11 — Discount rate assumption update method and presentation (participating contracts): Do you agree that the effect of updating discount rate assumptions should be recognized immediately in other comprehensive income? If not, what other approach or approaches do you recommend and why?

Question 12 — Discount rate assumption update frequency (participating contracts): Do you agree that discount rate assumptions should be updated at each reporting date? If not, what other approach or approaches do you recommend and why?

Market Risk Benefits

Question 13 — Scope: Do you agree with the scope of the proposed amendments on the accounting for market risk benefits? If not, what types of contracts or contract features should be included in or excluded from the scope and why?

Question 14 — Measurement: Do you agree that all market risk benefits should be measured at fair value, with fair value changes attributable to a change in the instrument-specific credit risk recognized in other comprehensive income? If not, what other alternative or alternatives do you recommend and why?

Deferred Acquisition Costs

Question 15 — Scope: Should the scope of the proposed amendments be expanded to include investment contract acquisition costs currently amortized using the interest method in Subtopic 310-20, Receivables Nonrefundable Fees and Other Costs?

Question 16 — Amortization: Do you agree with the proposed amendments that would simplify the amortization of deferred acquisition costs? If not, what other simplified and reasonably estimable amortization approach or approaches do you recommend and why?

Question 17 — Impairment: Do you agree that deferred acquisition costs should not be subject to impairment testing? If not, what alternative or alternatives do you recommend and why?

Presentation and Disclosure

Question 18 — Proposed requirements: Do you agree that the presentation and disclosure requirements included in the proposed amendments would provide decision-useful information? If not, which presentation and/or disclosure requirement or requirements would you change and why?

Question 19 — Additional requirements: Are there any additional presentation or disclosure requirements that would provide decision-useful information? If so, please describe them and explain why.

Effective Date and Transition

Question 20 — Implementation date: The Board is interested in understanding the key drivers affecting the timing of implementation. What are those key drivers, and how do they affect the time it will take to implement the proposed amendments? Should the effective date be the same for both public entities and nonpublic entities?

Question 21 — Transition methods: Are the proposed transition provisions operable and do they provide decision-useful information? If not, what would you recommend and why?

Question 22 — Transition disclosure: Do the proposed transition disclosure requirements provide decision-useful information? If not, what would you recommend and why?

Costs and Complexities

Question 23 — Costs and complexities: Describe the nature of the incremental costs of adopting the proposed amendments, distinguishing between one-time costs and ongoing costs. Explain which aspects of the proposed amendments are driving those costs and include ideas to make the proposals more cost effective.

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