The Board is responding to feedback about the challenges insurance companies are experiencing in preparing to adopt the standard.

What you need to know
- The FASB proposed deferring the effective dates of the new standard on long-duration insurance contracts for all entities.
- The proposal would require SEC filers that are not smaller reporting companies to adopt the standard for fiscal years beginning after 15 December 2021, including interim periods within those fiscal years.
- All other entities would be required to adopt it for fiscal years beginning after 15 December 2023 and interim periods a year later.
- Comments are due by 20 September 2019.

Overview
The Financial Accounting Standards Board (FASB or Board) proposed deferring all effective dates for its new standard on long-duration insurance contracts. The proposal was driven by feedback that insurance companies are experiencing significant systems and data challenges in preparing to adopt the standard and are concerned about the current implementation timeline.

The FASB recently proposed deferring certain effective dates for its new standards on credit losses, hedging and leases. That proposal and the insurance proposal are part of the FASB’s broader effort to reconsider its philosophy on effective dates for major projects for private companies, not-for-profit (NFP) organizations, employee benefit plans (EBPs) and smaller public companies. The Board is considering a two-bucket approach that would give these entities more time to implement major new standards.
The FASB is responding to feedback highlighting the significant challenges encountered by smaller entities in transitioning to major new standards. The factors contributing to these challenges and related costs include the limited availability of qualified resources; timing and availability of relevant education; lessons learned from implementation of major standards by larger public companies; insufficient time to understand and apply post-issuance standard setting guidance; and development of sufficient information technology platforms, business processes and internal controls.

Key considerations
The Board proposed deferring all of the effective dates for its new standard on long-duration insurance contracts using the two-bucket approach it is considering to establish effective dates for major standards.

The first bucket would include Securities and Exchange Commission (SEC) filers other than smaller reporting companies (SRCs), as defined by the SEC. The determination of whether an entity is a smaller reporting company would be based on the entity’s most recently completed assessment in accordance with SEC regulations as of the date a final Accounting Standards Update is issued.

The second bucket would comprise all other entities, including entities eligible to be SRCs; all other public business entities (PBEs); private companies; all NFP organizations, including conduit bond obligors; and all EBPs, including those that file financial statements with the SEC.

The table below shows how calendar-year entities would be affected:

<table>
<thead>
<tr>
<th>Existing effective dates</th>
<th>Effective dates the FASB proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>PBEs</td>
<td>SEC filers, excluding SRCs</td>
</tr>
<tr>
<td>2021, including interim periods within the year</td>
<td>2022, including interim periods within the year</td>
</tr>
<tr>
<td>All other entities</td>
<td>All other entities</td>
</tr>
<tr>
<td>2022 for annual periods, 2023 for interim periods</td>
<td>2024 for annual periods, 2025 for interim periods</td>
</tr>
</tbody>
</table>

Early adoption is permitted.

How we see it
• While an effective date deferral would provide entities with additional time to implement the standard, entities should use the additional time to address resource issues (e.g., engage third-party service providers), obtain required data, make system and process changes, and plan for multiple dry runs. In addition, entities should use the additional time to further educate investors and other stakeholders about the potential effects of adopting the new standard.

• The proposal would provide extra relief for many private insurance company sponsors of separate accounts that are considered PBEs. These entities generally would not meet the definition of an SEC filer and, under the proposal, they would be able to adopt the standard on the effective date for all other entities.

Endnotes:
1 See our To the Point, [FASB proposes deferring certain effective dates for major standards](https://www.ey.com/us/en/accountinglink/to-the-point-fasb-proposes-deferring-certain-effective-dates-for-major-standards), 2019.
2 This term is defined in Part 230.405 of the SEC’s general rules and regulations, Securities Act of 1933.