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duration contracts issued by insurance entities.

Jason Bramwell • Jul. 19, 2022

Changes might be coming regarding the financial reporting requirements for long-duration contracts issued by insurance entities.

The Financial Accounting Standards Board (FASB) issued a proposed Accounting Standards Update on July 14 that would amend transition guidance in ASU No. 2018-12, *Financial Services—Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts* (LDTI), for contracts that have been derecognized because of a sale or disposal of individual or a group of contracts or legal entities

guidance to contracts that were derecognized because of a sale or disposal of individual or a group of contracts or legal entities before the LDTI effective date likely would not provide decision-useful information to investors and other financial statement users and could result in significant operability challenges for insurance entities to apply the guidance. Without an amendment to the transition guidance, an insurance entity would be required to reclassify a portion of the previously recognized gains or losses to the LDTI transition adjustment because of the adoption of a new accounting standard, according to the FASB.

The proposed ASU would amend the LDTI transition guidance to allow an insurance entity to make an accounting policy election to exclude certain contracts or legal entities from applying the LDTI guidance when they have been derecognized because:

- Of a sale or disposal before the LDTI effective date; and
- The insurance entity has no continuing involvement with the derecognized contracts.

The comment period for this proposed ASU concludes on Aug. 8.

Accounting