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Insurance Rules

The Accounting Standards Update approved by the FASB on Dec. 15 amends transition guidance in ASU No. 2018-12.

Dec. 19, 2022



The Financial Accounting Standards Board ([FASB](#)) issued an [Accounting Standards Update \(ASU\)](#) on Dec. 15 that amends transition guidance in [Accounting Standards Update 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

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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 allocators of capital and may result in significant operability challenges for insurance entities to apply the guidance.

To address this issue, the ASU amends 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, as of the LDTI effective date, (a) the insurance contracts have been derecognized because of a sale or disposal, and (b) the insurance entity has no significant continuing involvement with the derecognized contracts.

The [ASU](https://www.fasb.org) is available at www.fasb.org.

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