



## Financial Reporting Center



The Insurance Expert Panel had a virtual meeting on December 15, 2020 with the SEC Staff (the Staff), and discussed the following topics of interest:

### Disclaimer

These highlights were prepared by the AICPA Insurance Expert Panel and AICPA staff who attended the meeting and do not purport to be a transcript of the matters discussed. The views attributed to the SEC staff are informal views of one or more of the staff members present, do not constitute an official statement of the views of the Commission or of the staff of the Commission and should not be relied upon as authoritative.

### 1. Disclosure Observations:

- a. **FASB ASU 2015-09: *Disclosures about Short-Duration Contracts*** – The Staff discussed observations related to disclosures required by FASB ASU 2015-09. Topics discussed are listed below.

As noted during prior meetings, the Staff reminded the Expert Panel that the objective of these disclosures as explained in BC2 of ASU 2015-09, is "...to increase transparency of significant estimates made in measuring the liability for unpaid claims and claim adjustment expenses, improve comparability by requiring consistent disclosure of information, and provide financial statement users with information to facilitate analysis of the amount, timing, and uncertainty of cash flows arising from contracts issued by insurance entities and the development of loss reserve estimates."

- i. **Explanation of differences in experience between the three-year liability for unpaid claims and claim adjustment expense rollforward and ten-year loss development tables.**
  - ii. **Level of Disaggregation in the loss development tables.**
  - iii. **Loss Reserve Development and explanation of the ultimate underlying causes of changes in it.**
- b. **Non-GAAP Measures:** The Staff provided the following reminders:
  - i. **Prominence:** Item 10(e)(1)(I)(A) of Regulation S-K requires that when a registrant presents a non-GAAP measure it must present the most directly comparable GAAP measure with equal or greater prominence. In accordance with that requirement, it was explained that when reconciling non-GAAP measures to the most directly comparable GAAP measures, the reconciliation should start with the GAAP measure.
  - ii. **Caution on the use of "Operating Earnings" as a title.**
- c. **Investments:**
  - i. **Available-for-sale (AFS) debt securities:** The Staff reminded that if AFS debt securities have a material allowance for credit losses, in accordance with ASC 326-20-50-9, insurers are required to include a tabular rollforward of the allowance for credit losses.

**Comment Process** – The Staff reiterated that comments are an invitation to dialogue and not necessarily a request to revise disclosure. The Staff also noted that during the comment process it is helpful for companies to explain if something commented on is not material early in the comment process.

2. **FASB ASU 2016-13: *Measurement of Credit Losses on Financial Instruments*:** The Expert Panel provided an update on the adoption of FASB ASU 2016-13 by insurers.

3. **COVID 19** – The Expert Panel provided an overview on operational, financial reporting and disclosure impacts to the insurance industry related to COVID 19.
4. **FASB ASU 2018-12: *Targeted Improvements to Long-Duration Contracts***: The Expert Panel provided an overview of the process involved and status of the AICPA project on the development of accounting implementation papers related to FASB ASU 2018-12.