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FASB Tentatively Decides to Propose a One-Year Deferral of the Effective Date of Targeted Improvements to the Accounting for Long-Duration Contracts

The Bottom Line

- The FASB has tentatively decided to propose a one-year deferral of the effective date of [ASU 2018-12](#)¹ (as amended by [ASU 2019-09](#)²) and to amend ASU 2018-12's early application provisions.
- The Board will issue a proposed ASU reflecting the tentative decisions for a 45-day comment period.

Beyond the Bottom Line

Tentative Decisions

At its June 10, 2020, meeting, the FASB tentatively decided to propose a one-year deferral of the effective date of ASU 2018-12. The deferral would apply to all insurance entities. The Board also tentatively decided to propose amending the early application provisions of ASU 2018-12 to specify that "the early application transition date would be the beginning of the prior period." This amendment would align the transition date for early adopters with the

¹ FASB Accounting Standards Update (ASU) No. 2018-12, *Targeted Improvements to the Accounting for Long-Duration Contracts*.

² FASB Accounting Standards Update No. 2019-09, *Financial Services — Insurance (Topic 944): Effective Date*.

transition date associated with standard adoption (i.e., assuming that the one-year deferral is applied).

In addition, the Board tentatively decided not to add a separate project to its agenda to change the effective date of ASU 2018-12 for certain reinsurance arrangements (to address differences in the effective dates for SEC filers that are not smaller reporting companies and other entities).



Connecting the Dots

Under the FASB's proposal, ASU 2018-12 would become effective for calendar-year-end public business entities that are SEC filers (and are not smaller reporting companies) on January 1, 2023. The transition date for those entities (assuming that they provide three years of financial statements) would be January 1, 2021. Such entities that early adopt ASU 2018-12 would have an effective date of January 1, 2022, and a transition date of January 1, 2021.

Next Steps

The Board will issue a proposed ASU reflecting the tentative decisions for a 45-day comment period.

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