

# Insurance Project — FASB Makes Tentative Decisions About the Presentation, Timing, and Frequency of Assumption Updates

**November 20, 2015** — At its meeting yesterday, the FASB tentatively decided to clarify and revise certain requirements of its proposed accounting model for certain types of long-duration contracts. Under the tentative decisions:

- For contracts and benefits that meet certain criteria,<sup>1</sup> insurers would present changes in the fair value of market risk benefits attributable to the insurer's own credit risk in other comprehensive income.
- For most long-duration contracts,<sup>2</sup> insurers would update assumptions used to determine the liability for future policy benefits as follows: (1) cash flow assumptions would be updated annually at the same time (chosen by management) every year or more frequently if actual experience or other evidence indicates a need to revise previous assumptions, (2) discount rate assumptions would be updated quarterly, and (3) market risk benefits measured at fair value would be updated quarterly.

The Board will continue to deliberate its project on long-duration insurance contracts at future meetings.

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<sup>1</sup> The guidance would apply to contracts in which (1) the contract holder can direct funds to one or more separate account investment alternatives; (2) investment performance, net of fees and assessments, is passed through to the contract holder; and (3) the contract holder is protected from adverse capital market performance, which exposes the insurer to other than nominal capital market risk.

<sup>2</sup> Such contracts include traditional long-duration contracts, limited-payment contracts, participating life insurance contracts, and nontraditional contracts.

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