



SEC Staff Provides Feedback on New Disclosure Requirements in ASU 2015-09 for Short-Duration Insurance Contracts

After the May 2015 issuance of [ASU 2015-09](#)¹ (codified in ASC 944²), certain implementation questions arose regarding how to reflect the impact of foreign currency translation and the acquisition and disposition of products or businesses by insurance entities in the incurred and paid claims development table disclosures required by the ASU. In [meetings](#) with the AICPA's Insurance Experts Panel (IEP) on November 1 and November 17, 2016, the SEC staff provided informal feedback on proposed alternatives related to such disclosure presentations (these alternatives had previously been submitted by the IEP).

As indicated in the Basis for Conclusions of ASU 2015-09, an insurer should consider addressing foreign currency exchange rate changes, business combinations, and other

¹ FASB Accounting Standards Update No. 2015-09, *Disclosures About Short-Duration Contracts*.

² FASB Accounting Standards Codification Topic 944, *Financial Services — Insurance*.

relevant factors in its incurred and paid claims development tables to convey to financial statement users the amount, timing, and uncertainty of cash flows for each period disclosed in the tables.

The IEP discussed a number of different alternatives for presenting the effects of acquisitions, dispositions, and foreign currency translation in the development tables, including (1) prospective application, (2) retrospective application (i.e., recasting the tables), and (3) providing different depictions of the effects of foreign exchange rate changes on the development tables. In its discussions with the IEP, the SEC staff noted that the following approaches for depicting such activity in the development tables are, in the staff's view, the most consistent with the objectives of ASU 2015-09:

- *Foreign currency translation* — When a filer translates balances of its foreign operations to the reporting currency for inclusion in the incurred and paid claims development tables, it should use the foreign exchange rate in effect on the current-year balance sheet date to recast all periods presented in the tables.

The SEC staff noted that an alternative approach showing separate development tables for each functional currency would also be consistent with the objectives of the ASU.

- *Acquisitions* — Upon an acquisition, a filer would reflect the development information associated with the acquired business in the incurred and paid claims tables retrospectively. Accordingly, the filer should recast all periods presented in the development tables to include the development activity associated with the acquired business as if that business had always been owned by the insurer.

The SEC staff also noted that in certain circumstances, it may be appropriate for a filer to present the development information for the acquired business in separate development tables prospectively. Further, for filers pursuing the prospective approach, the development information of the acquired business would need to be presented separately from that of the acquirer in the development table, by underlying accident year, as of the acquisition date and subsequently.

- *Dispositions* — Upon a disposition, a filer would reflect the disposition retrospectively. Accordingly, the filer should recast all periods presented in the development tables to remove the balances associated with the disposed-of business.

The SEC staff encourages any filer that believes an alternative approach would also be consistent with the ASU's disclosure objectives to discuss its specific facts and circumstances with the staff.

Further, during the meetings, the SEC staff indicated that as long as a filer provides all of the disclosures required by the ASU, the filer may choose to omit the 10-year development table that would otherwise be required under Industry Guide 6.³ This conclusion was included in [Section 11300 of the SEC Financial Reporting Manual](#) (updated on November 9, 2016).

³ SEC Securities Act Industry Guide No. 6, *Disclosures Concerning Unpaid Claims and Claim Adjustment Expenses of Property-Casualty Insurance Underwriters*.

This publication contains general information only and Deloitte is not, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor.

Deloitte shall not be responsible for any loss sustained by any person who relies on this publication.

As used in this document, "Deloitte" means Deloitte & Touche LLP, a subsidiary of Deloitte LLP. Please see www.deloitte.com/us/about for a detailed description of the legal structure of Deloitte LLP and its subsidiaries. Certain services may not be available to attest clients under the rules and regulations of public accounting.

Copyright © 2016 Deloitte Development LLC. All rights reserved.