AMERICAN ACADEMY
of ACTUARIES

March 20, 2024

Technical Director
File Reference No. 2023-ED700
Financial Accounting Standards Board (FASB)

Re: Chapter 6: Measurement, of Concepts Statement No. 8, Conceptual Framework for Financial Reporting

Dear Technical Director,

On behalf of the Financial Reporting Committee and the Life GAAP Reporting Committee of the American Academy of Actuaries,[1] I appreciate the opportunity to comment on the questions included in the exposure draft of Chapter 6: Measurement, of Concepts Statement No. 8, Conceptual Framework for Financial Reporting.

Question 2: Do you agree that measurement is anchored in prices, as described in paragraphs M5 and M6? Do you also agree that transactions and other events and circumstances affecting the entity should ultimately be measured in prices (entry prices and exit prices)? Please explain why or why not.

Yes, the committee agrees, for the reasons FASB describes in paragraphs M5 and M6. We believe that the sentence "Estimating a price from cash flow estimates may be from a market participant perspective or from an entity-specific perspective." is an important sentence. Market participant perspectives may not always be available; therefore the ability to use the entity-specific cash flows is important. Historically, there may have been a perception of equivalence of exit price and fair value, which uses a market participant perspective. Paragraph M16 also makes the point that not all exit prices are fair value prices.

Question 3: Do you agree with the proposed description and features of the entry price system as described in paragraphs M10–M14? Please explain why or why not.

We believe that the explanation description in paragraph M12 could be expanded to consider adjustments as required in ASU 2014-09-Revenue from Contracts with Customers (Topic 606), also known as Revenue Recognition, and ASU 2018-12-Financial Services – Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts (LDTI). We also encourage FASB to specify how, if at all, this is different from the remeasurement described in paragraph M12. The remeasurements under the standards above are not the result of an impairment of an asset's value.

While the Liability for Future Policy Benefits (LFPB) may be a special case, it seems that the LFBP is a hybrid approach. The LFPB is measured at an entry price at the time of the sale. Subsequent measurement includes a current discount rate, which is consistent with an exit price, and remeasurement

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[1] The American Academy of Actuaries is a 20,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 50 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

with current assumption, which may be consistent with an entry price, but seems to fall more naturally as an exit price.

Question 4: Do you agree with the proposed description and features of the exit price system as described in paragraphs M15–M19? Please explain why or why not.

Yes. See response to Question 2.

Question 5: Do you agree that the entry price and exit price systems, as explained in paragraph M7, are the only two relevant and representationally faithful measurement systems that would meet the objective of general purpose financial reporting? Please explain why or why not.

As described in our answer to Question 3, there appears to be circumstances when a hybrid approach to measurement is applied.

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If you have any questions or would like to discuss further, please contact Will Behnke, the Academy's Risk Management and Financial Reporting policy analyst, at behnke@actuary.org.

Sincerely,

Doug Van Dam, MAAA, FSA
Chairperson, Financial Reporting Committee
American Academy of Actuaries

Leonard Reback, MAAA, FSA
Chairperson, Life GAAP Reporting Committee
American Academy of Actuaries