Statutory Accounting Principles (E) Working Group

**Maintenance Agenda Submission Form**

**Form A**

## **Issue: *ASU 2018-18, Collaborative Arrangements (Topic 808)***

**Check (applicable entity):**

P/C Life Health

Modification of Existing SSAP

New Issue or SSAP

Interpretation

Description of Issue:

FASB issued *ASU 2018-18, Collaborative Arrangements (Topic 808), Clarifying the Interaction between Topic 808 and Topic 606*, which clarifies and aligns revenue recognition under the new Topic 606 for collaborative arrangements. A collaborative arrangement is defined as a contractual arrangement that involves a joint operating activity, involving two (or more) parties that are both: 1) active participants in the activity and 2) are exposed to significant risks and rewards dependent on the commercial success of the activity. The intent of this guidance is to ensure that revenue recognized within a collaborative arrangement is consistent with revenue recognition in Topic 606.

Existing Authoritative Literature:

Collaborative arrangements in Topic 808 are similar in nature to voluntary pooling arrangements that are discussed in *SSAP No. 63—Underwriting Pools*. *ASU 2014-09, Revenue from Contracts with Customers* established ASC Topic 606 with the new revenue recognition guidance and was rejected for statutory accounting in *SSAP No. 47—Uninsured Plans*.

Activity to Date (issues previously addressed by the Working Group, Emerging Accounting Issues (E) Working Group, SEC, FASB, other State Departments of Insurance or other NAIC groups): None

**Information or issues (included in *Description of Issue*) not previously contemplated by the Working Group:**

None

**Convergence with International Financial Reporting Standards (IFRS):** ASU 2014-09, which created ASC Topic 606, and IFRS 15 are the result of the joint project between the FASB and IASB to improve financial reporting by creating common revenue recognition guidance.

Staff Recommendation:

Staff recommends the Working Group move this agenda item to the active listing, categorized as nonsubstantive and expose revisions to reject ASU 2018-18 in *SSAP No. 47—Uninsured Plans*. This recommendation is consistent with the treatment of prior ASUs related to Topic 606.

Staff Review Completed by: Jake Stultz, February 2020

**Status:**

On March 18, 2020, the Statutory Accounting Principles (E) Working Group moved this item to the active listing, categorized as nonsubstantive, and exposed revisions to *SSAP No. 47—Uninsured Plans* to reject *ASU 2018-18, Collaborative Arrangements (Topic 808), Clarifying the Interaction between Topic 808 and Topic 606.* This item has a shortened comment period ending May 1, 2020.

**Proposed Revisions to SSAP No. 47:**

1. This statement rejects *ASU 2014-09, Revenue from Contracts with Customers; ASU 2015-14, Revenue From Contracts With Customers; ASU 2016-08, Revenue From Contracts with Customers: Principal versus Agent Considerations (Reporting Revenue Gross versus Net); ASU 2016-10, Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing; ASU 2016-12, Revenue from Contracts with Customers: Narrow-Scope Improvements and Practical Expedients; and ASU 2018-18, Collaborative Arrangements (Topic 808), Clarifying the Interaction between Topic 808 and Topic 606*.

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