

Exposé-sondage du CNC – Traitement comptable des contrats d’assurance vie ayant une valeur de rachat

Réponses à l’exposé-sondage

Février 2024

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Montréal, le 22 janvier 2024

Katharine Christopoulos, CPA, CA
Directrice, Normes comptables
Conseil des normes comptables
277, rue Wellington Ouest
Toronto (Ontario) M5V 3H2

Madame,

Vous trouverez ci-joint les commentaires du Groupe de travail technique NCECF – Comptabilité financière – Partie II, mis en place par l'Ordre des comptables professionnels agréés du Québec, concernant l'exposé-sondage intitulé « Traitement comptable des contrats d'assurance vie ayant une valeur de rachat ».

Veuillez prendre note que l'Ordre des comptables professionnels agréés du Québec agit seulement à titre de facilitateur et ce document ne constitue pas une réponse de ce dernier, mais le point de vue des membres participant aux groupes de travail. De plus, ni l'Ordre des comptables professionnels agréés du Québec, ni quelque personne que ce soit ayant participé à la préparation des commentaires ne peuvent être tenus responsables relativement à leur utilisation et ils ne sont tenus à aucune garantie de quelque nature que ce soit découlant de ces commentaires, comme décrit dans le déni de responsabilité joint à la présente.

Veuillez agréer, Madame Christopoulos, nos salutations distinguées.

Sophie Bureau, CPA auditrice

Représentante du Groupe de travail technique NCECF – Comptabilité financière – Partie II de l'Ordre des comptables professionnels agréés du Québec

p. j. Déni de responsabilité et commentaires

DÉNI DE RESPONSABILITÉ

Les documents préparés par les Groupes de travail techniques et sectoriels de l'Ordre des comptables professionnels agréés du Québec (Ordre) ci-après appelés les « commentaires », sont fournis selon les conditions décrites dans la présente, pour faire connaître l'opinion des groupes de travail sur des énoncés de principes, des documents de consultation, des exposés-sondages préliminaires ainsi que des exposés-sondages publiés par le Conseil des normes comptables, le Conseil des normes d'audit et de certification, le Conseil sur la comptabilité dans le secteur public, le Conseil sur la gestion des risques et la gouvernance et d'autres organismes.

Les commentaires fournis par ces comités ne doivent pas être utilisés comme substitut à des missions confiées à des professionnels spécialisés. Il est important de noter que les lois, les normes et les règles sur lesquelles sont émis les commentaires peuvent changer en tout temps et que, dans certains cas, les commentaires écrits peuvent être sujets à controverse.

Ni l'Ordre, ni quelque personne que ce soit ayant participé à la préparation des commentaires ne peuvent être tenus responsables relativement à l'utilisation de ces commentaires et ils ne sont tenus à aucune garantie de quelque nature que ce soit découlant de ces commentaires. Les commentaires donnés ne lient pas, par ailleurs, les membres des Groupes de travail, l'Ordre ou, de façon plus particulière, le Bureau du syndic de l'Ordre.

La personne qui se réfère ou utilise ces commentaires assume l'entière responsabilité de sa démarche ainsi que tous les risques liés à l'utilisation de ceux-ci. Elle consent à exonérer l'Ordre à l'égard de toute demande en dommages-intérêts qui pourrait être intentée par suite de toute décision qu'elle aurait pu prendre en fonction de ces commentaires. Elle reconnaît également avoir accepté de ne pas faire état de ces commentaires reçus via les Groupes de travail dans les avis exprimés ou les positions prises.

MANDAT DES GROUPES DE TRAVAIL DE L'ORDRE

Les Groupes de travail de l'Ordre des comptables professionnels agréés du Québec ont comme mandat notamment de recueillir et de canaliser le point de vue des praticiens exerçant en cabinet et de membres œuvrant dans les affaires, dans les services gouvernementaux et dans l'industrie ainsi que le point de vue d'autres personnes concernées œuvrant dans des domaines d'expertise connexes.

Pour chaque exposé-sondage ou autre document étudié, les membres des Groupes de travail mettent leurs analyses en commun. Les commentaires ci-dessous reflètent les points de vue exprimés et, sauf indication contraire, ces commentaires font l'objet d'un consensus parmi les membres des Groupes de travail ayant participé à cette analyse.

Les commentaires formulés par les Groupes de travail ne font l'objet d'aucune sanction de l'Ordre. Ils n'engagent pas la responsabilité de celui-ci.

COMMENTAIRE GÉNÉRAL

Les membres sont généralement d'accord avec les propositions de l'exposé-sondage, sous réserve de ce qui suit.

QUESTIONS SPÉCIFIQUES DU CNC

Question 1 : *Le CNC propose la comptabilisation à titre d'actif des contrats d'assurance vie ayant une valeur de rachat à titre d'actif au montant de celle-ci, soit le montant que recevrait immédiatement le titulaire et le bénéficiaire au moment de la résiliation du contrat avant le décès de la personne assurée.*

a) *Êtes-vous favorable à la proposition visant la comptabilisation de la valeur de rachat à titre d'actif? Dans la négative, pourquoi et quelles solutions le CNC devrait-il envisager?*

b) *Êtes-vous favorable à la proposition visant l'évaluation de la valeur de rachat au montant de celle-ci à la date du bilan? Dans la négative, pourquoi et quelles solutions le CNC devrait-il envisager?*

Les membres sont favorables à la comptabilisation à titre d'actif des contrats d'assurance vie ayant une valeur de rachat au montant de celle-ci, soit le montant que recevrait immédiatement le titulaire et le bénéficiaire au moment de la résiliation du contrat avant le décès de la personne assurée.

Un membre aurait souhaité l'ajout de la possibilité d'évaluer ces contrats à leur juste valeur. Des membres ont mentionné qu'ils seraient en accord avec cet ajout.

Quant au libellé du paragraphe 7 de la NOC-21 proposée, il devrait préciser que l'entreprise doit évaluer initialement et ultérieurement à chaque date de clôture la valeur de rachat de l'actif.

Question 2 : *Le CNC propose la comptabilisation de la valeur de rachat à titre d'actif seulement lorsque le titulaire est également le bénéficiaire de la prestation de décès. Appuyez-vous cette proposition? Dans la négative, pourquoi et quelles solutions le CNC devrait-il envisager?*

Dans le contexte de ce projet restreint, les membres sont favorables à la comptabilisation de la valeur de rachat à titre d'actif seulement lorsque le titulaire est également le bénéficiaire de la prestation de décès.

Question 3 : *Le CNC propose la présentation des primes d'assurance et de la variation de la valeur de rachat sur la base du montant net, ce qui signifie qu'un débit net serait présenté à titre de charge et qu'un crédit net serait présenté à titre de produits. Appuyez-vous cette proposition? Dans la négative, pourquoi, et quelles solutions le CNC devrait-il envisager?*

Les membres appuient cette proposition.

Question 4 : *Le CNC propose la présentation du montant total de la valeur comptable des valeurs de rachat de tous les contrats d'assurance vie ayant une valeur de rachat. Il propose également la présentation des montants correspondant aux acquisitions et aux résiliations de contrats d'assurance vie ayant une valeur de rachat au cours de l'exercice. Appuyez-vous la proposition visant l'obligation d'indiquer :*

a) le montant total de la valeur comptable des valeurs de rachat de tous les contrats d'assurance vie ayant une valeur de rachat? Dans la négative, pourquoi, et quelles solutions le CNC devrait-il envisager?

Les membres appuient cette proposition.

b) les montants correspondant aux acquisitions et aux résiliations de contrats d'assurance vie ayant une valeur de rachat au cours de l'exercice. Dans la négative, pourquoi et quelles solutions le CNC devrait-il envisager?

Les membres sont en désaccord avec cette proposition. Selon eux, exiger de fournir ces informations diminue les avantages de la simplicité liée à la présentation d'un montant net à l'état des résultats.

Bien que le paragraphe 41 de la Base des conclusions mentionne qu'« Il a également été porté à l'attention du CNC que la présentation des montants des opérations qui ont une incidence sur la valeur de rachat serait utile pour dégager des tendances et faire des analyses comparatives », selon les membres, de telles analyses sont très rares dans le contexte des entreprises qui appliquent les NCECF. De plus, un montant payé pour acquérir un contrat ou un montant encaissé lors de la résiliation d'un contrat devrait être présenté à l'état des flux de trésorerie.

À propos de l'état des flux de trésorerie, les membres aimeraient que la NOC-21 en traite spécifiquement, un peu comme cela a été fait aux paragraphes 31 et 34 de la NOC-20, « Traitement comptable des accords d'infonuagique par le client ».

Question 5 : *Le CNC propose que les contrats d'assurance vie reçus par un OSBL sous forme d'apports soient comptabilisés au montant de la valeur de rachat à la date à laquelle le donateur cède à l'OSBL la propriété du contrat.*

a) *Appuyez-vous cette proposition? Dans la négative, pourquoi et quelles solutions le CNC devrait-il envisager?*

b) *Avez-vous connaissance de dons planifiés, d'opérations de planification fiscale ou d'autres arrangements que le CNC devrait envisager d'inclure dans le champ d'application de la note d'orientation?*

Les membres du groupe n'ont pas discuté de cette question puisqu'elle concerne les OSBL.

Question 6 : *Le CNC propose de prévoir des exceptions à l'application des dispositions concernant l'évaluation à la juste valeur contenues dans le [chapitre 1582](#), REGROUPEMENTS D'ENTREPRISES, et dans le chapitre 4449, REGROUPEMENTS D'ORGANISMES SANS BUT LUCRATIF, pour exiger que les contrats d'assurance vie ayant une valeur de rachat qui sont acquis dans le cadre d'un regroupement soient évalués au montant de la valeur de rachat. Appuyez-vous cette proposition? Dans la négative, pourquoi et quelles solutions le CNC devrait-il envisager?*

Les membres appuient la proposition de prévoir une exception à l'application des dispositions concernant l'évaluation à la juste valeur contenues dans le chapitre 1582, pour exiger que les contrats d'assurance vie ayant une valeur de rachat qui sont acquis dans le cadre d'un regroupement soient évalués au montant de la valeur de rachat.

Selon les membres, cette exception est essentielle si le contrat d'assurance vie doit être comptabilisé à sa valeur de rachat après la date d'acquisition de l'entreprise, afin d'éviter toute incohérence ou dépréciation dès le jour suivant le regroupement.

Les membres du groupe n'ont pas discuté de cette question à l'égard du chapitre 4449, puisqu'il concerne les OSBL.

Question 7 : *Le CNC propose que la note d'orientation s'applique pour les exercices ouverts à compter du 1^{er} janvier 2025. Il propose aussi qu'elle soit appliquée de façon rétrospective pour les contrats d'assurance vie déjà souscrits au début de la première période présentée.*

a) Êtes-vous favorable à ce que la note d'orientation en projet s'applique pour les exercices ouverts à compter du 1^{er} janvier 2025 et que l'application anticipée soit permise? Dans la négative, pourquoi?

Les membres ne sont pas favorables à ce que la NOC-21 en projet s'applique obligatoirement aux exercices ouverts à compter du 1^{er} janvier 2025. Selon eux, ce court délai pourrait ne pas laisser le temps suffisant au CNC et aux membres de son personnel pour analyser adéquatement les propositions et les commentaires reçus, poursuivre les discussions au besoin, apporter les modifications requises et prendre le recul nécessaire pour s'assurer que tout est conforme, ainsi qu'aux entreprises pour étudier les nouvelles exigences et les appliquer correctement.

Les membres veulent à tout prix éviter que des exigences doivent être modifiées, reportées ou retirées après leur publication, et après que des entreprises (et des certificateurs) ont commencé à s'y préparer ou à les appliquer. Ils soulignent qu'il n'y a pas d'urgence de publier cette note d'orientation, bien qu'elle serait utile.

b) Êtes-vous favorable à ce que la note d'orientation soit appliquée de façon rétrospective pour les contrats d'assurance vie déjà souscrits au début de la première période présentée? Dans la négative, pourquoi?

Les membres demandent que soit ajouté le choix d'appliquer la NOC-21 de manière rétrospective au début de l'exercice de première application de la note d'orientation. Ainsi l'entreprise pourrait choisir d'appliquer la NOC-21 : a) soit au début de la première période présentée; b) soit au début de l'exercice de sa première application.

De plus, les membres souhaitent qu'une exemption soit ajoutée au chapitre 1500, « Application initiale des normes », afin qu'une entité qui adopte les NCECF puisse appliquer les dispositions transitoires de la NOC-21.

Montreal, January 22, 2024

Katharine Christopoulos, CPA, CA
Director, Accounting Standards
Accounting Standards Board
277 Wellington Street West
Toronto, Ontario M5V 3H2

Dear Ms. Christopoulos:

Please find enclosed the comments of the Technical Working Group on ASPE – Financial accounting – Part II, established by the Ordre des comptables professionnels agréés du Québec (the Order), on the exposure draft entitled “Accounting for Life Insurance Contracts with Cash Surrender Value.”

Please note that the Order is only a facilitator, and that this document does not constitute a response by the Order, but the views of the working group members. In addition, neither the Order nor any of the persons involved in preparing the comments shall have any liability in relation to their use, and no guarantee whatsoever shall be provided regarding these comments, as described in the disclaimer enclosed.

Yours truly,

Sophie Bureau, CPA auditor

Representative of the Technical Working Group on ASPE (Financial accounting – Part II) of the Ordre des comptables professionnels agréés du Québec

Encl. Disclaimer and comments

DISCLAIMER

Subject to the conditions described herein, the documents prepared by the technical and sector-specific working groups of the Ordre des comptables professionnels agréés du Québec (the Order), hereinafter referred to as the “comments,” provide the opinion of working groups on statements of principles, documents for comment, associates’ drafts and exposure drafts published by the Accounting Standards Board, Auditing and Assurance Standards Board, Public Sector Accounting Board, Risk Management and Governance Board, and other organizations.

The comments submitted by these boards should not be relied upon as a substitute for engagements entrusted to professionals with specialized knowledge in their field. It is important to note that the legislation, standards and rules on which the comments are based may change at any time and that, in some cases, the comments may be controversial.

Neither the Order nor any person involved in preparing these comments shall have any liability in relation to their use, and no guarantee whatsoever shall be provided regarding these comments. These comments are not binding on the technical and sector-specific working groups, the Order or the Office of the syndic in particular.

Users of the comments shall take full responsibility for, and assume all risks relating to, the use of the comments. They agree to release the Order from any claim for damages that could result from a decision they made based on these comments. They also agree not to mention the comments received from working groups in the opinions they express or the positions they take.

TERMS OF REFERENCE OF THE ORDER'S WORKING GROUPS

The working groups of the Ordre des comptables professionnels agréés du Québec are to collect and channel the views of practitioners and members in business, industry and government, as well as those of other persons working in related areas of expertise.

For each exposure draft or other document reviewed, the technical working group members share the results of their analysis. Consequently, the comments below reflect the views expressed and, unless otherwise specified, all of the working group members agree on these comments.

The Order does not act upon and is not responsible for the comments made by the working groups.

GENERAL COMMENTS

The members generally agree with the proposals in the exposure draft, subject to the following.

THE ACSB'S SPECIFIC QUESTIONS

Question 1: *The AcSB proposes recognition of life insurance contracts with cash surrender value as an asset at the cash surrender amount, which is the amount that would be immediately realized by the owner and beneficiary upon termination of the policy prior to death of the insured.*

a) *Do you agree with the proposal to recognize cash surrender value as an asset? If not, why not and what alternatives should be Board consider?*

b) *Do you agree with the proposal to measure cash surrender value at the cash surrender amount at the balance sheet date? If not, why not and what alternatives should be Board consider?*

The members agree with the recognition of life insurance contracts with cash surrender value as an asset at the cash surrender amount, which is the amount that would be immediately realized by the owner and beneficiary upon termination of the policy prior to death of the insured.

One member would have liked the addition of the option to measure these contracts at fair value. Some members mentioned that they would agree with this addition.

As for the wording of proposed paragraph 7 of AcG-21, it should specify that an enterprise must initially and subsequently measure the asset's cash surrender value at each reporting date.

Question 2: *The AcSB proposes recognition of cash surrender value as an asset only when the policy owner is also the beneficiary of the death benefit. Do you agree with this proposal? If not, why not and what alternatives should be Board consider?*

In the context of this particular project, the members agree with the recognition of cash surrender value as an asset only when the policy owner is also the beneficiary of the death benefit.

Question 3: *The AcSB proposes presentation of policy premiums and the change in cash surrender value on a net basis, with a net debit reported as an expense and a net credit reported*

as income. Do you agree with this proposal? If not, why not and what alternatives should the Board consider?

The members support this proposal.

Question 4: *The AcSB proposes disclosure of the carrying amount of cash surrender value in aggregate for all life insurance policies with a cash surrender value. Also, the Board proposes disclosure of the amounts of acquisitions and terminations of life insurance policies with cash surrender value during the period. Do you agree with the proposal to require disclosure of:*

a) the carrying amount of cash surrender value in aggregate for all life insurance policies with a cash surrender value? If not, why not and what alternatives should the Board consider?

The members support this proposal.

b) the amounts of acquisitions and terminations of life insurance policies with cash surrender value during the period? If not, why not and what alternatives should be Board consider?

The members disagree with this proposal. In their opinion, requiring such disclosures lessens the benefits of the simplicity in presenting a net amount in the income statement.

While paragraph 41 of the Basis for Conclusions indicates that “The AcSB has also heard that disclosing the amounts of transactions affecting cash surrender value would provide useful information for trending and comparison purposes,” the members consider that such comparisons are very rare in the context of enterprises applying ASPE.

In addition, an amount paid to acquire a policy or an amount received upon termination of a policy should be presented in the statement of cash flows.

With regard to the statement of cash flows, the members would like AcG-21 to specifically address it, similar to the treatment in paragraphs 31 and 34 of AcG-20, “Customer’s Accounting for Cloud Computing Arrangements.”

Question 5: *The AcSB proposes recognition of contributions of life insurance policies at the cash surrender amount on the date that the donor transfers ownership of the life insurance policy to the NFPO.*

a) Do you agree with this proposal? If not, why not and what alternatives should be Board consider?

b) Are you aware of other planned giving, tax planning or other arrangements that the Board should consider including in the scope of the Guideline?

The group members did not discuss this issue as it relates to NFPOs.

Question 6: *The AcSB proposes to provide exceptions to the fair value measurement requirements in BUSINESS COMBINATIONS, [Section 1582](#), and COMBINATIONS BY NOT-FOR-PROFIT ORGANIZATIONS, Section 4449, to require measurement of cash surrender value acquired in a combination at the cash surrender amount. Do you agree with this proposal? If not, why not and what alternatives should be Board consider?*

The members support the proposal to provide an exception to the fair value measurement requirements in Section 1582 in order to require the cash surrender value of life insurance policies acquired in business combinations to be measured at the cash surrender amount.

The members consider this exception to be essential if the life insurance policy is to be recognized at its cash surrender amount after the business acquisition date in order to avoid any inconsistency or impairment as of the day after the combination.

The group members did not discuss this issue in relation to Section 4449, as it relates to NFPOs.

Question 7: *The AcSB proposes that the Guideline should be effective for fiscal years beginning on or after January 1, 2025. The Board also proposes that the Guideline be applied retrospectively to life insurance policies in place at the beginning of the earliest period presented.*

a) Do you agree that the proposed Guideline should apply for annual periods beginning on or after January 1, 2025, with earlier application permitted? If not, why not?

The members disagree that proposed AcG-21 should be effective for annual periods beginning on or after January 1, 2025. In their opinion, this short timeframe may not leave sufficient time for the AcSB and its staff to properly analyze the proposals and comments received, pursue discussions as necessary, make the necessary changes and step back to ensure that everything is in compliance, and for enterprises to study and apply the new requirements properly.

Members would like to avoid any changes, deferrals or withdrawal of requirements after they are issued, and after enterprises (and assurance providers) have begun preparing or applying them. They noted that it isn't urgent that this Guideline be issued, although it would be helpful.

b) Do you agree that the proposed Guideline should be applied retrospectively to life insurance policies in place at the beginning of the earliest period presented? If not, why not?

The members request that the election to apply AcG-21 be added retrospectively to the beginning of the annual period in which the Guideline is first applied. Accordingly, an enterprise could elect to apply AcG-21 either (a) at the beginning of the earliest period presented or (b) at the beginning of the annual period in which it first applies.

In addition, members would like an exemption to be added to Section 1500, *First-Time Adoption*, to allow an entity adopting ASPE to apply the transitional provisions of AcG-21.

January 23, 2024



SENT ELECTRONICALLY

Katharine Christopoulos, CPA, CA
Director, Accounting Standards Board
277 Wellington Street West
Toronto, Ontario
M5V 3H2

Re: Accounting Guideline (AcG) 21, "Accounting for Life Insurance Contracts with Cash Surrender Value"

Dear Ms. Christopoulos,

Thank you for the opportunity to provide input to the Accounting Standards Board (AcSB) on the above noted document.

MNP LLP is one of Canada's largest chartered professional accountancy and business advisory firms. Our clients include small to mid-size owner-managed businesses in agriculture, agribusiness, retail and manufacturing as well as pension plans, credit unions, co-operatives, First Nations, medical and legal professionals, not-for-profit organizations, municipalities and government entities. In addition, our client base includes a sizable contingent of publicly traded companies. We believe that we are well-positioned to provide feedback on this exposure draft ("ED").

We support the AcSB's efforts to address accounting for life insurance contracts with cash surrender value. While we've noted a few concerns, we generally agree with the proposed AcG. Explanations related to our concerns are included below.

Question 1: The AcSB proposes recognition of life insurance contracts with cash surrender value as an asset at the cash surrender amount, which is the amount that would be immediately realized by the owner and beneficiary upon termination of the policy prior to death of the insured.

- (a) Do you agree with the proposal to recognize cash surrender value as an asset? If not, why not and what alternatives should the Board consider?**
- (b) Do you agree with the proposal to measure cash surrender value at the cash surrender amount at the balance sheet date? If not, why not and what alternatives should the Board consider?**

We agree with the proposal to recognize the cash surrender value as an asset measured at the cash surrender amount at the balance sheet date. However, we are concerned for entities who have year ends that don't align with the insurance policy reporting date(s). Many entities do not frequently receive updated statements that show the change in cash surrender value on a monthly basis. We suggest that guidance be provided outlining how to treat these instances. For example, should the cash surrender value from the most recent statement be used, or should the value be estimated?

Question 3: The AcSB proposes presentation of policy premiums and the change in cash surrender value on a net basis, with a net debit reported as an expense and a net credit reported as income. Do you agree with this proposal? If not, why not and what alternatives should the Board consider?

We agree that presenting these on a net basis provides a simplified accounting treatment for entities, especially when all of the relevant information is not available. However, some entities have the relevant information available to separate policy premiums and the change in cash surrender value and would prefer to present these amounts separately to more accurately present financial results. Therefore, we suggest that presentation of policy premiums and the change in cash surrender value as gross or net be an accounting policy choice.

Question 7: The AcSB proposes that the Guideline should be effective for fiscal years beginning on or after January 1, 2025. The Board also proposes that the Guideline be applied retrospectively to life insurance policies in place at the beginning of the earliest period presented.

(b) Do you agree that the proposed Guideline should be applied retrospectively to life insurance policies in place at the beginning of the earliest period presented? If not, why not?

We agree if the information is readily available. There are some concerns in relation to entities where the life insurance policy statements do not line up with the entity's year end. In that case, they may not be able to recreate the information and apply the guidance retrospectively. In instances where information is not readily determinable, we suggest allowing entities to apply the proposed guidance prospectively.

We would be pleased to offer our assistance to the AcSB for any future proposed changes to accounting standards and in helping to find solutions which meet the needs of the financial statement users.

Yours truly,

MNP LLP

A handwritten signature in cursive script that reads "Maryse Vendette".

Maryse Vendette, CPA, Auditor

Partner, Assurance Professional Standards, Technical Services

Katharine Christopoulos, CPA, CA
Director, Accounting Standards
Accounting Standards Board
277 Wellington Street West
Toronto, Ontario M5V 3H2

January 31, 2024

Ms. Christopoulos:

Ernst & Young LLP ("EY" or "we") welcome the opportunity to provide comments to the Accounting Standards Board ("AcSB" or the "Board") on the November 2023 Accounting for Life Insurance Contracts with Cash Surrender Value Exposure Draft (the "Exposure Draft"). Our responses to the specific questions posed in the Exposure Draft are included below.

Comments on Specific Questions Requested by the AcSB

1. The AcSB proposes recognition of life insurance contracts with cash surrender value as an asset at the cash surrender amount, which is the amount that would be immediately realized by the owner and beneficiary upon termination of the policy prior to death of the insured.

- (a) Do you agree with the proposal to recognize cash surrender value as an asset? If not, why not and what alternatives should the Board consider?

Yes, we agree with the proposal to recognize cash surrender value as an asset.

- (b) Do you agree with the proposal to measure cash surrender value at the cash surrender amount at the balance sheet date? If not, why not and what alternatives should the Board consider?

Yes, we agree with the proposal to measure cash surrender value at the cash surrender amount at the balance sheet date.

2. The AcSB proposes recognition of cash surrender value as an asset only when the policy owner is also the beneficiary of the death benefit. Do you agree with this proposal? If not, why not and what alternatives should the Board consider?

Yes, we agree with recognition of cash surrender value as an asset if and only if the policy owner is also the beneficiary of the death benefit.

3. The AcSB proposes presentation of policy premiums and the change in cash surrender value on a net basis, with a net debit reported as an expense and a net credit reported as income. Do you agree with this proposal? If not, why not and what alternatives should the Board consider?

Yes, we agree with presentation of policy premiums and the change in cash surrender value on a net basis.

Separately, we would also like to raise a scenario that is not currently contemplated within this Exposure Draft. In a participating life insurance policy that provides cash distributions (which may be considered policy “dividends” for non-accounting purposes) before its termination or before the death of the insured party, there is diversity in practice, where the cash distribution may be accounted for by the policyholder as a decrease in cash surrender value, a reduction of insurance expense, or recognized in income. The AcSB should consider whether it is necessary to provide further guidance on this matter.

4. The AcSB proposes disclosure of the carrying amount of cash surrender value in aggregate for all life insurance policies with a cash surrender value. Also, the Board proposes disclosure of the amounts of acquisitions and terminations of life insurance policies with cash surrender value during the period. Do you agree with the proposal to require disclosure of:

- (a) the carrying amount of cash surrender value in aggregate for all life insurance policies with a cash surrender value? If not, why not and what alternatives should the Board consider?

Yes, we agree with the proposal to require disclosure of the carrying amount of cash surrender value in aggregate for all life insurance policies with a cash surrender value.

- (b) the amounts of acquisitions and terminations of life insurance policies with cash surrender value during the period? If not, why not and what alternatives should the Board consider?

No, we do not agree with the proposal to require disclosure of the amounts of acquisitions and terminations of life insurance policies with cash surrender value during the period, as we do not believe this is useful accounting information for users under Part II of the CPA Canada Handbook – Accounting (the “Handbook”). In our experience, users of financial statements are concerned primarily with cash flows arising from and returns on an enterprise’s investment portfolio as a whole rather than on individual investments (e.g., life insurance policies with cash surrender values).

Under Part III of the Handbook, acquisitions and terminations may be relevant information for users, depending on the dollar value and number of policies. However, in our experience, users are more concerned with the cash flows to be paid to the beneficiary arising from the death of the insured, which some entities already voluntarily disclose. While the amounts of acquisitions and terminations of life insurance policies with cash surrender value, as well as the cash flows to be paid to the beneficiary arising from the death of the insured, may provide useful information to users of the financial statements, we disagree with the proposal to require their disclosure.

Removing the requirement to disclose such information provides entities the option to disclose this information if it is valuable to the users of those financial statements.

5. The AcSB proposes recognition of contributions of life insurance policies at the cash surrender amount on the date that the donor transfers ownership of the life insurance policy to the NFPO.

- (a) Do you agree with this proposal? If not, why not and what alternatives should be Board consider?

Yes, we agree with recognition of contributions of life insurance policies at the cash surrender value on the date that the donor transfer ownership of the life insurance policy to the NFPO.

- (b) Are you aware of other planned giving, tax planning or other arrangements that the Board should consider including in the scope of the Guideline?

We are not aware of other planned giving, tax planning or other arrangements that the Board should consider including in the scope of this Guideline.

6. The AcSB proposes to provide exceptions to the fair value measurement requirements in BUSINESS COMBINATIONS, Section 1582, and COMBINATIONS BY NOT-FOR-PROFIT ORGANIZATIONS, Section 4449, to require measurement of cash surrender value acquired in a combination at the cash surrender amount. Do you agree with this proposal? If not, why not and what alternative should the Board consider?

Yes, we agree with the proposal to provide exceptions to the fair value measurement requirements in BUSINESS COMBINATIONS, Section 1582, and COMBINATIONS BY NOT-FOR-PROFIT ORGANIZATIONS, Section 4449, to require measurement of cash surrender value acquired in a combination at the cash surrender amount.

7. The AcSB proposes that the Guideline should be effective for fiscal years beginning on or after January 1, 2025. The Board also proposes that the Guideline be applied retrospectively to life insurance policies in place at the beginning of the earliest period presented.

- (a) Do you agree that the proposed Guideline should apply for annual periods beginning on or after January 1, 2025, with earlier application permitted? If not, why not?

Yes, we agree that the proposed Guideline should apply for annual periods beginning on or after January 1, 2025, with earlier application permitted.

- (b) Do you agree that the proposed Guideline should be applied retrospectively to life insurance policies in place at the beginning of the earliest period presented? If not, why not?

Yes, we agree that the proposed Guideline should be applied retrospectively to life insurance policies in place at the beginning of the earliest period presented.

We would be pleased to discuss our comments with members of the AcSB or its staff. If you wish to do so, please contact Adam Rybinski, Partner, Professional Practice, at 416-943-2711 (Adam.C.Rybinski@ca.ey.com) or Janice Rath, Professional Practice Director, at 403-206-5398 (Janice.Rath@ca.ey.com).

Yours sincerely,
ERNST & YOUNG LLP



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Licensed Public Accountants



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Katharine Christopoulos, CPA, CA
Director, Accounting Standards
Accounting Standards Board
277 Wellington Street West
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January 31, 2024

Re: AcSB Exposure Draft - Improvements to Accounting for Common Control Combinations

Dear Ms. Christopoulos,

We have read the above-mentioned Exposure Draft that was issued in November 2022 and are pleased to have the opportunity to provide responses to your specific questions as outlined below.

1. *The AcSB proposes recognition of life insurance contracts with cash surrender value as an asset at the cash surrender amount, which is the amount that would be immediately realized by the owner and beneficiary upon termination of the policy prior to death of the insured.*

- a. *Do you agree with the proposal to recognize cash surrender value as an asset? If not, why not and what alternatives should the Board consider?*

We agree with the proposal to recognize cash surrender value of life insurance contracts as an asset. We believe having clear guidance on accounting for cash surrender value of life insurance policies will reduce diversity in practice and be beneficial to users of the financial statements.

- b. *Do you agree with the proposal to measure cash surrender value at the cash surrender amount at the balance sheet date? If not, why not and what alternatives should the Board consider?*

We agree with the proposal to measure cash surrender value at the cash surrender amount at the balance sheet date. We believe this is an appropriate basis to measure the asset. It is also a value that is readily available and verifiable and is a value that provides decision useful information to users of the financial statements.

2. *The AcSB proposes recognition of cash surrender value as an asset only when the policy owner is also the beneficiary of the death benefit. Do you agree with this proposal? If not, why not and what alternatives should the Board consider?*

We agree with the proposed recognition of cash surrender value as an asset only when the policy owner is also the beneficiary of the death benefit for the reasons set out in paragraphs 26-28 of the Basis for Conclusions to the Exposure Draft.

3. *The AcSB proposes presentation of policy premiums and the change in cash surrender value on a net basis, with a net debit reported as an expense and a net credit reported as income. Do you agree with this proposal? If not, why not and what alternatives should the Board consider?*

We agree with the proposed net presentation of policy premiums and the change in cash surrender value, with a net debit reported as an expense and a net credit reported as income. While we believe gross presentation may be more theoretically appropriate, we acknowledge that it may be quite difficult to appropriately determine the true gross amounts as outlined in paragraphs 8(c) and 33-36 of the Basis for Conclusions to the Exposure Draft, which could lead to an overstatement of income and expenses. As a result, we support the Board's proposed net presentation approach.

4. *The AcSB proposes disclosure of the carrying amount of cash surrender value in aggregate for all life insurance policies with a cash surrender value. Also, the Board proposes disclosure of the amounts of acquisitions and terminations of life insurance policies with cash surrender value during the period. Do you agree with the proposal to require disclosure of:*

- a. *the carrying amount of cash surrender value in aggregate for all life insurance policies with a cash surrender value? If not, why not and what alternatives should the Board consider?*

We agree with the proposed disclosure of the carrying amount of cash surrender value in aggregate for all life insurance policies with a cash surrender value. We believe this will provide useful information to financial statement readers.

We appreciate that the Board is proposing disclosures that provide decision useful information to users of the financial statements, while also not being overly onerous for financial statement preparers to determine.

- b. *the amounts of acquisitions and terminations of life insurance policies with cash surrender value during the period? If not, why not and what alternatives should the Board consider?*

We agree with the proposed disclosure of the amounts of acquisitions and terminations of life insurance policies with cash surrender value during the period.

5. *The AcSB proposes recognition of contributions of life insurance policies at the cash surrender amount on the date that the donor transfers ownership of the life insurance policy to the NFPO.*

- a. *Do you agree with this proposal? If not, why not and what alternatives should be Board consider?*

We agree with the proposal to recognize contributions of life insurance policies at the cash surrender amount on the date that the donor transfers ownership of the life insurance policy to the NFPO. However, we note that this may be a change in practice for some NFPOs as the guidance on recognizing contributions of life insurance policies with cash surrender value was not always clear in the past and some NFPOs may have previously been recognizing such policies that they controlled at fair value initially following the guidance in Section 4410, *Contributions - Revenue Recognition*, on contributions, as well, as for tax receipt purposes. As a result, the proposed guidance may result in a change in practice for some NFPOs. We would encourage the Board to consult with NFPOs to consider any implications of such a change in accounting.

- b. *Are you aware of other planned giving, tax planning or other arrangements that the Board should consider including in the scope of the Guideline?*

At this time we are not aware of other planned giving, tax planning or other arrangements that the Board should consider including within the scope of the Guideline.

6. *The AcSB proposes to provide exceptions to the fair value measurement requirements in BUSINESS COMBINATIONS, Section 1582, and COMBINATIONS BY NOT-FOR-PROFIT ORGANIZATIONS, Section 4449, to require measurement of cash surrender value acquired in a combination at the cash surrender amount. Do you agree with this proposal? If not, why not and what alternative should the Board consider?*

We agree with the proposals to provide exceptions to the fair value measurement requirements in Section 1582 and Section 4449 as outlined in the Exposure Draft to require measurement of cash surrender value acquired in a combination at the cash surrender amount. We believe these are practical and useful exceptions.

7. *The AcSB proposes that the Guideline should be effective for fiscal years beginning on or after January 1, 2025. The Board also proposes that the Guideline be applied retrospectively to life insurance policies in place at the beginning of the earliest period presented.*

- a. *Do you agree that the proposed Guideline should apply for annual periods beginning on or after January 1, 2025, with earlier application permitted? If not, why not?*



We agree that the proposed Guideline should apply for annual periods beginning on or after January 1, 2025 with earlier application permitted. We believe this will provide entities with enough time to prepare to adopt the new guidance.

- b. *Do you agree that the proposed Guideline should be applied retrospectively to life insurance policies in place at the beginning of the earliest period presented? If not, why not?*

We agree that the proposed Guideline should be applied retrospectively to life insurance policies in place at the beginning of the earliest period presented.

Thank you for your consideration of the above-noted responses. We would be pleased to elaborate on our comments in more detail if you require. If so, please contact me at 705-963-0824 or via email at sbarton@bdo.ca.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Sayja Barton", with a long horizontal flourish extending to the right.

Sayja Barton, CPA, CA, MAcc
Director, National Accounting Standards
BDO Canada LLP

January 31, 2024

Katharine Christopoulos, CPA, CA
Director, Accounting Standards
Accounting Standards Board
277 Wellington Street West
Toronto ON M5V 3H2

Subject: Exposure Draft - Accounting for Life Insurance Contracts with Cash Surrender Value

Dear Ms. Christopoulos:

We thank you for the opportunity to provide comments on the above noted Exposure Draft regarding the new Accounting Guideline (AcG) 21, *Accounting for Life Insurance Contracts with Cash Surrender Value*, in Part II of the *CPA Canada Handbook – Accounting*.

We welcome the Board's efforts to address the diversity in practice relating to the recognition, measurement, presentation and disclosure of life insurance contracts with cash surrender value and are supportive of the proposals.

Please find attached our comments to the specific questions raised in the Exposure Draft. If you have any questions, please contact Patrick Ho (patho@deloitte.ca) at 604-640-4907.

Yours truly,

A handwritten signature in black ink that reads "Deloitte LLP". The script is cursive and elegant, with the "D" being particularly large and stylized.

Chartered Professional Accountants

Appendix

Accounting for Life Insurance Contracts with Cash Surrender Value

1. The AcSB proposes recognition of life insurance contracts with cash surrender value as an asset at the cash surrender amount, which is the amount that would be immediately realized by the owner and beneficiary upon termination of the policy prior to death of the insured.

- a. Do you agree with the proposal to recognize cash surrender value as an asset? If not, why not and what alternatives should the Board consider?

Section 1000, *Financial Statement Concepts* describes the underlying concepts of accounting principles used in financial statements. The cash surrender value meets the definition of an asset set out in paragraphs 1000.24-27, and consequently, we agree with the proposal to recognize cash surrender value of a life insurance contract as an asset.

- b. Do you agree with the proposal to measure cash surrender value at the cash surrender amount at the balance sheet date? If not, why not and what alternatives should the Board consider?

We considered which option (cost, fair value or the cash surrender amount) would provide more relevant information to the users of the financial statements under the principles of 1000.17, *Financial statement Concepts*. We noted that the cash surrender amount represents the amount that the policy holder would receive if the policy were terminated at the balance sheet date, and prior to the death of the insured. The cash surrender value as defined in paragraph 2 is broadly understandable by financial statement users, irrespective of sophistication. Users who assess financial performance using cash surrender value primarily make decisions based on the current financial position, the immediately realizable amount, and not future entitlements (e.g. lending arrangements where cash surrender value of a life insurance contract is used as collateral). In our view, utilizing a fair value model would lead to undue complexity for financial statement preparers and does not add any decision usefulness for users of financial statements (please also refer to our response to question 6).

Therefore, we agree with the proposal to measure cash surrender value at the cash surrender amount at the balance sheet date.

2. The AcSB proposes recognition of cash surrender value as an asset only when the policy owner is also the beneficiary of the death benefit. Do you agree with this proposal? If not, why not and what alternatives should the Board consider?

The definition of an asset per Section 1000, *Financial statement Concepts* requires that the enterprise to control access to the future economic benefits of the asset and thus be the only enterprise that can access the corresponding benefit (or cash flow). If the policy owner is not likewise the beneficiary, the policy owner is not guaranteed to receive the cash surrender value, thereby the cash surrender value would not meet the definition of an asset under Section 1000. Consequently, we agree that recognition of the cash surrender value as an asset only when the policy owner is also the beneficiary of the death benefit.

3. **The AcSB proposes presentation of policy premiums and the change in cash surrender value on a net basis, with a net debit reported as an expense and a net credit reported as income. Do you agree with this proposal? If not, why not and what alternatives should the Board consider?**

We agree with the proposal to present policy premiums and the change in cash surrender value on a net basis, with a net debit reported as an expense and a net credit reported as income. We do not believe that the gross policy premiums or gross change in cash surrender value are key metrics that users of financial statements utilize in assessing the performance of an entity. In the unlikely situation that a user requires additional details, management has the ability to provide supplemental information on a requested basis. We believe this presentation allows for the comparability of financial results period to period without adding unnecessary complexity to the income statement.

4. **The AcSB proposes disclosure of the carrying amount of cash surrender value in aggregate for all life insurance policies with a cash surrender value. Also, the Board proposes disclosure of the amounts of acquisitions and terminations of life insurance policies with cash surrender value during the period. Do you agree with the proposal to require disclosure of:**

- a. **the carrying amount of cash surrender value in aggregate for all life insurance policies with a cash surrender value? If not, why not and what alternatives should the Board consider?**

We agree with the proposal to disclose the carrying amount of cash surrender value in aggregate for all life insurance policies with a cash surrender value. We do not believe that the detail of each individual life insurance policy adds decision useful information to users of financial statements. In the unlikely situation that a user requires additional details, management has the ability to provide supplemental information on a requested basis.

- b. **the amounts of acquisitions and terminations of life insurance policies with cash surrender value during the period? If not, why not and what alternatives should the Board consider?**

We agree with the proposal to disclose the amounts of acquisitions and terminations of life insurance policies with cash surrender value during the period.

We recommend clarifying if the “amounts” refer to the increase and decrease to the aggregate carrying amount of cash surrender value from acquisitions and terminations of policies at the initial recognition and derecognition date, or if “amounts” refers to the change to the total death benefits acquired or terminated. While we agree that disclosing a decrease in the carrying amount of the cash surrender value for terminated policies adds decision useful information to users of financial statements, we are not certain that disclosing the increase in the carrying amount of the cash surrender value of newly acquired life insurance policies achieves the same benefit. For example, a new material life insurance policy could be acquired during the period, however, the impact to the aggregate carrying amount of the cash surrender value at initial recognition and during the period may be trivial as cash surrender value of a life insurance policy typically accumulates throughout the policy term from accumulated premium payments and investment income. In this instance, the requirement to disclose the increase in the cash surrender value from the initial acquisition of the policy may not address the users’ needs in forecasting how the newly acquired life insurance policy may impact future changes to the aggregate amount of cash surrender value. For newly acquired policies, disclosing the total death benefit acquired may be more useful to users of financial statements.

It would also be beneficial to clarify if the amounts are required to be presented on a gross basis or net basis.

5. The AcSB proposes recognition of contributions of life insurance policies at the cash surrender amount on the date that the donor transfers ownership of the life insurance policy to the NFPO.

a. Do you agree with this proposal? If not, why not and what alternatives should be Board consider?

In line with our response to question 1, given we believe that cash surrender value in a life insurance policy meets the definition of an asset, we agree with the proposal to recognize a contribution of life insurance policies at the cash surrender amount on the date the donor transfers ownership of the life insurance policy to an NFPO.

b. Are you aware of other planned giving, tax planning or other arrangements that the Board should consider including in the scope of the Guideline?

No, we are not aware of any other planned giving, tax planning or other arrangements relating to Life Insurance Contracts with Cash Surrender Value that the Board should consider including in the scope of the Guideline.

6. The AcSB proposes to provide exceptions to the fair value measurement requirements in BUSINESS COMBINATIONS, Section 1582, and COMBINATIONS BY NOT-FOR-PROFIT ORGANIZATIONS, Section 4449, to require measurement of cash surrender value acquired in a combination at the cash surrender amount. Do you agree with this proposal? If not, why not and what alternative should the Board consider?

The determination of fair value of cash surrender value could require a complex analysis of underlying assumptions about future cash flows, discount rates and other actuarial assumptions. Further, the requirement to measure cash surrender value acquired in a combination initially at fair value, and subsequently at the cash surrender amount would create a day 1 adjustment that could be confusing to users of financial statements. For this reason, we agree with the proposal to provide exceptions to the fair value measurement requirements in Section 1582, *Business Combinations*, and Section 4449, *Combinations by non-for-profit Organizations*, to require measurement of cash surrender value acquired in a combination at the cash surrender amount.

7. The AcSB proposes that the Guideline should be effective for fiscal years beginning on or after January 1, 2025. The Board also proposes that the Guideline be applied retrospectively to life insurance policies in place at the beginning of the earliest period presented.

a. Do you agree that the proposed Guideline should apply for annual periods beginning on or after January 1, 2025, with earlier application permitted? If not, why not?

We agree with the proposed effective date of the Guideline.

- b. Do you agree that the proposed Guideline should be applied retrospectively to life insurance policies in place at the beginning of the earliest period presented? If not, why not?**

We agree that with the transition provision that the Guideline should be applied retrospectively, in accordance with Section 1506, *Accounting Changes*, but only to insurance policies that exist and have a cash surrender value on or after the beginning of the earliest period presented in the financial statements in which the entity first applied the Guideline.

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Katharine Christopoulos, CPA, CA
Director, Accounting Standards
Accounting Standards Board
277 Wellington Street West
Toronto, Ontario M5V 3H2

January 31, 2024

Dear Ms. Christopoulos:

SUBJECT: Accounting for Life Insurance Contracts with Cash Surrender Value (“CSV”) Exposure Draft

Grant Thornton LLP and Raymond Chabot Grant Thornton LLP (we) would like to thank you for the opportunity to provide comments on the Accounting Standards Board (the “Board” or “AcSB”) Exposure Draft for *Accounting for Life insurance Contracts with Cash Surrender Value* (the “ED” or “Guideline”).

We agree with most of the proposals within the new Accounting Guideline; however, we would suggest the AcSB should add a further step after the issuance of this Guideline to expand on this project and provide guidance for other life insurance contracts that meet the definition of an asset. Many life insurance contracts without a CSV would also meet the definition of a financial asset; but they are scoped out of Section 3856 *Financial Instruments* and the proposed Guideline, resulting in entities (e.g., not-for-profit organizations (“NPOs”)) having to develop their own accounting policies and continuing to lead to diversity in practice.

Please see the Appendix for our responses to the specific questions contained in the ED.

If you wish to discuss our comments, please contact Melanie Joseph (Melanie.Joseph@ca.gt.com, 416-607-2736) or Stéphane Landry (landry.stephane@rcgt.com, 418-647-5008)

Yours sincerely,



Melanie Joseph, CPA, CA



Stéphane Landry, CPA auditor

Appendix A

Responses to Exposure Draft questions

1. The AcSB proposes recognition of life insurance contracts with cash surrender value as an asset at the cash surrender amount, which is the amount that would be immediately realized by the owner and beneficiary upon termination of the policy prior to death of the insured.

- a) Do you agree with the proposal to recognize cash surrender value as an asset? If not, why not and what alternatives should the Board consider?

We agree that life insurance contracts with a CSV meet the definition of an asset and concur with the Board's conclusions in paragraph 24 of the Basis for Conclusions. Whilst we appreciate the intent of AcG-21 is to provide guidance on a narrow topic, we believe the Board should also add a second step to this project to provide guidance for other insurance contracts that would meet the definition of an asset. Life insurance contracts with no CSV are scoped out of Section 3856 *Financial Instruments* and proposed AcG-21. This will result in entities continuing to have to develop their own accounting policies for such life insurance contracts. Therefore, we recommend the Board consider expanding the scope of AcG-21 or issue further guidance surrounding life insurance contracts without a CSV.

- b) Do you agree with the proposal to measure cash surrender value at the cash surrender amount at the balance sheet date? If not, why not and what alternatives should the Board consider?

While we agree measuring the policy at the CSV amount is one appropriate option, we also believe the Board should allow entities the choice of measuring the policies at fair value, initially and subsequently. In Paragraph 31 of the Basis for Conclusions, the Board contemplated measuring the policy at fair value, but it believed it would not be relevant to users of the financial statements and would require a complex analysis involving assumptions surrounding cash flow timing and discount rates. We agree that fair value can be a complex and costly option; however, we believe it will allow entities to choose consistency, where they also have policies with no CSV that meet the definition and the recognition criteria of an asset and have chosen to measure them at fair value. We do not believe the Board should prevent entities from providing consistent, relevant information, if they choose to incur the effort and cost to do so (i.e., obtain valuations of the policies). Fair value would also be consistent with the fair value option for other financial instruments in Section 3856 *Financial Instruments*.

Furthermore, with respect to the Board's comment that fair value is complex and costly to determine, entities in the not-for-profit space sometimes obtain a valuation of donated life insurance policies (containing a CSV and not containing a CSV) in order to issue donation receipts to donors and determine fair value in accordance with paragraph 4410.16 in Accounting Standards for NPOs. Therefore, without an alternative to measure both types of life insurance policies at fair value, it is possible that an NPO could have two life insurance policies measured using two different bases, leading to inconsistencies within the financial statements. Thus, we believe that it would be punitive for the Board to not allow fair value measurement for entities that wish to incur the additional cost or have already incurred it for other reasons.

- 2. The AcSB proposes recognition of cash surrender value as an asset only when the policy owner is also the beneficiary of the death benefit. Do you agree with this proposal? If not, why not and what alternatives should the Board consider?**

We do not agree with this proposal, rather, we believe that the requirements should be tied to the definition of an asset. We believe there could be scenarios whereby an entity may not be the owner, but could still have control over the benefits from the policy. For example, there could be scenarios where a contractual arrangement between the owner and the entity essentially makes the entity the owner and beneficiary. Furthermore, an entity does not have to be the beneficiary of the policy in order to have control over the CSV. An entity could be the owner of the policy and control the decisions about whether to request the payout of the CSV, which will be remitted to it, not the beneficiary.

Therefore, we believe the Board should adopt a control model whereby entities must evaluate the terms and conditions and any contractual arrangements to determine if they control the economic benefits associated with the policy and refer to the definition of an asset in Section 1000 (or Section 1001 for NPOs) in order to determine whether recognition is appropriate.

- 3. The AcSB proposes presentation of policy premiums and the change in cash surrender value on a net basis, with a net debit reported as an expense and a net credit reported as income. Do you agree with this proposal? If not, why not and what alternatives should the Board consider?**

Yes, we agree.

- 4. The AcSB proposes disclosure of the carrying amount of cash surrender value in aggregate for all life insurance policies with a cash surrender value. Also, the Board proposes disclosure of the amounts of acquisitions and terminations of life insurance policies with cash surrender value during the period. Do you agree with the proposal to require disclosure of:**

- (a) the carrying amount of cash surrender value in aggregate for all life insurance policies with a cash surrender value? If not, why not and what alternatives should the Board consider?**

Yes, we agree.

- (b) the amounts of acquisitions and terminations of life insurance policies with cash surrender value during the period? If not, why not and what alternatives should the Board consider?**

Yes, we agree.

- 5. The AcSB proposes recognition of contributions of life insurance policies at the cash surrender amount on the date that the donor transfers ownership of the life insurance policy to the NFPO.**

- (a) Do you agree with this proposal? If not, why not and what alternatives should be Board consider?**

No, we do not agree with this proposal. As mentioned in our response to Question 1(b), we believe that NPOs should be given the choice of CSV or fair value. This would allow NPOs to have consistency with life insurance policies with no CSV that have been contributed and represent an asset to the NPO and for which the NPO has accounted for at fair value. NPOs could then choose consistent accounting at fair value for its contributed life insurance policies that represent an asset. It allows NPOs that are willing to incur the effort and cost to obtain fair value valuations of the policies to do so.

- (b) Are you aware of other planned giving, tax planning or other arrangements that the Board should consider including in the scope of the Guideline?**

No, we are not aware of any arrangements.

- 6. The AcSB proposes to provide exceptions to the fair value measurement requirements in BUSINESS COMBINATIONS, Section 1582, and COMBINATIONS BY NOT-FOR-PROFIT ORGANIZATIONS, Section 4449, to require measurement of cash surrender value acquired in a combination at the cash surrender amount. Do you agree with this proposal? If not, why not and what alternative should the Board consider?**

Further to our answer to question 1(b), we believe the accounting should follow our proposed accounting policy choice of fair value or cash surrender value.

- 7. The AcSB proposes that the Guideline should be effective for fiscal years beginning on or after January 1, 2025. The Board also proposes that the Guideline be applied retrospectively to life insurance policies in place at the beginning of the earliest period presented.**

- (a) Do you agree that the proposed Guideline should apply for annual periods beginning on or after January 1, 2025, with earlier application permitted? If not, why not?**

We do not agree because given the timing of the ED release, response deadline and the further steps necessary to finalize the proposed Guideline, this would leave entities with limited time (likely six months or less) to implement a Guideline that could have a material impact on their financial statements. CPA Canada and the Provincial Institutes, in addition to the accounting firms, need time to train CPAs on the changes and inform affected stakeholders. Although many entities may have easy access to CSV information, entities still require sufficient time to understand and implement the Guideline. Therefore, we recommend deferring the effective date by one year to fiscal years beginning on or after January 1, 2026, with early application permitted, to allow ample time to educate CPAs and other stakeholders and to implement the Guideline.

- (b) Do you agree that the proposed Guideline should be applied retrospectively to life insurance policies in place at the beginning of the earliest period presented? If not, why not?**

Yes, we agree.

Montréal, le 29 janvier 2024

Katharine Christopoulos, CPA, CA
Directrice, Normes comptables
Conseil des normes comptables
277, rue Wellington Ouest
Toronto (Ontario) M5V 3H2

Madame,

Vous trouverez ci-joint les commentaires du Groupe de travail technique OSBL – Comptabilité financière – Partie III, mis en place par l'Ordre des comptables professionnels agréés du Québec, concernant l'exposé-sondage intitulé « Traitement comptable des contrats d'assurance vie ayant une valeur de rachat ».

Veuillez prendre note que l'Ordre des comptables professionnels agréés du Québec agit seulement à titre de facilitateur et ce document ne constitue pas une réponse de ce dernier, mais le point de vue des membres participant aux groupes de travail. De plus, ni l'Ordre des comptables professionnels agréés du Québec, ni quelque personne que ce soit ayant participé à la préparation des commentaires ne peuvent être tenus responsables relativement à leur utilisation et ils ne sont tenus à aucune garantie de quelque nature que ce soit découlant de ces commentaires, comme décrit dans le déni de responsabilité joint à la présente.

Veuillez agréer, Madame Christopoulos, nos salutations distinguées.



Annie Smargiassi, CPA auditrice

Représentante du Groupe de travail technique OSBL – Comptabilité financière – Partie III de l'Ordre des comptables professionnels agréés du Québec

p. j. Déni de responsabilité et commentaires

DÉNI DE RESPONSABILITÉ

Les documents préparés par les Groupes de travail techniques et sectoriels de l'Ordre des comptables professionnels agréés du Québec (Ordre) ci-après appelés les « commentaires », sont fournis selon les conditions décrites dans la présente, pour faire connaître l'opinion des groupes de travail sur des énoncés de principes, des documents de consultation, des exposés-sondages préliminaires ainsi que des exposés-sondages publiés par le Conseil des normes comptables, le Conseil des normes d'audit et de certification, le Conseil sur la comptabilité dans le secteur public, le Conseil sur la gestion des risques et la gouvernance et d'autres organismes.

Les commentaires fournis par ces comités ne doivent pas être utilisés comme substitut à des missions confiées à des professionnels spécialisés. Il est important de noter que les lois, les normes et les règles sur lesquelles sont émis les commentaires peuvent changer en tout temps et que, dans certains cas, les commentaires écrits peuvent être sujets à controverse.

Ni l'Ordre, ni quelque personne que ce soit ayant participé à la préparation des commentaires ne peuvent être tenus responsables relativement à l'utilisation de ces commentaires et ils ne sont tenus à aucune garantie de quelque nature que ce soit découlant de ces commentaires. Les commentaires donnés ne lient pas, par ailleurs, les membres des Groupes de travail, l'Ordre ou, de façon plus particulière, le Bureau du syndic de l'Ordre.

La personne qui se réfère ou utilise ces commentaires assume l'entière responsabilité de sa démarche ainsi que tous les risques liés à l'utilisation de ceux-ci. Elle consent à exonérer l'Ordre à l'égard de toute demande en dommages-intérêts qui pourrait être intentée par suite de toute décision qu'elle aurait pu prendre en fonction de ces commentaires. Elle reconnaît également avoir accepté de ne pas faire état de ces commentaires reçus via les Groupes de travail dans les avis exprimés ou les positions prises.

MANDAT DES GROUPES DE TRAVAIL DE L'ORDRE

Les Groupes de travail de l'Ordre des comptables professionnels agréés du Québec ont comme mandat notamment de recueillir et de canaliser le point de vue des praticiens exerçant en cabinet et de membres œuvrant dans les affaires, dans les services gouvernementaux et dans l'industrie ainsi que le point de vue d'autres personnes concernées œuvrant dans des domaines d'expertise connexes.

Pour chaque exposé-sondage ou autre document étudié, les membres des Groupes de travail mettent leurs analyses en commun. Les commentaires ci-dessous reflètent les points de vue exprimés et, sauf indication contraire, ces commentaires font l'objet d'un consensus parmi les membres des Groupes de travail ayant participé à cette analyse.

Les commentaires formulés par les Groupes de travail ne font l'objet d'aucune sanction de l'Ordre. Ils n'engagent pas la responsabilité de celui-ci.

QUESTIONS SPÉCIFIQUES DU CNC

Question 1 : Le CNC propose la comptabilisation à titre d'actif des contrats d'assurance vie ayant une valeur de rachat à titre d'actif au montant de celle-ci, soit le montant que recevrait immédiatement le titulaire et le bénéficiaire au moment de la résiliation du contrat avant le décès de la personne assurée.

a) Êtes-vous favorable à la proposition visant la comptabilisation de la valeur de rachat à titre d'actif? Dans la négative, pourquoi et quelles solutions le CNC devrait-il envisager?

Les positions sont partagées et il n'y a donc pas de consensus sur la question. Les membres précisent que ce type d'actif est un moyen de financement alternatif pour les OSBL alors qu'il s'agit d'une mesure de protection des capitaux propres pour entreprise à but lucratif. Des éclaircissements et suggestions sont présentés plus loin dans le texte.

b) Êtes-vous favorable à la proposition visant l'évaluation de la valeur de rachat au montant de celle-ci à la date du bilan? Dans la négative, pourquoi et quelles solutions le CNC devrait-il envisager?

Les positions sont partagées à ce sujet. Certains membres considèrent que la valeur de rachat est facilement accessible, mais ne représente pas nécessairement la meilleure valeur à utiliser. En substance, cet actif correspond à un billet à recevoir, d'un montant connu, encaissable lors de la survenance d'un événement futur (soit à la date du décès de la personne assurée). Les membres se demandent donc pourquoi cet actif devrait être traité différemment des actifs financiers, soit à la juste valeur lors de sa comptabilisation initiale lorsque son acquisition résulte d'une opération conclue dans des conditions de pleine concurrence ? Les membres qui prônent cette valeur indiquent qu'elle est disponible facilement et que des opérations fiscales entourant le transfert de ces actifs à leur juste valeur sont effectuées régulièrement. On explique que si un organisme reçoit une telle police d'assurance, il émettra généralement un reçu fiscal pour don correspondant au montant de la juste valeur de la police (telle que déterminée par un actuaire au moment du don) et non de sa valeur de rachat. Lorsque la police n'est pas complètement payée et que le donateur continue de verser des primes, celui-ci recevra généralement également un reçu fiscal pour don correspondant aux versements effectués. L'utilisation de la valeur de rachat est difficilement explicable dans ce contexte.

D'autres membres voient ce montant comme un gain éventuel, que le chapitre 3290 de la Partie II empêcherait de comptabiliser.

Les membres proposent de comptabiliser les polices d'assurance selon des critères de contrôle tirés du chapitre 1001, que leur évaluation initiale soit à la juste valeur au moment de l'octroi et au coût après amortissement (ou au choix à la juste valeur) par la suite, lors de l'évaluation subséquente, comme tout autre actif financier (autre que des dérivés ou des instruments de capitaux propres cotés sur un marché actif) acquis dans le cadre d'une opération conclue dans des conditions de pleine concurrence (tel qu'un billet à recevoir d'une partie non-apparentée), selon le chapitre 3856. Toutefois, on pourrait proposer des mesures d'allègement permettant une évaluation à la valeur de rachat dans les circonstances où la juste valeur ne peut être obtenue au prix d'un effort raisonnable.

Les membres font aussi remarquer que la comptabilisation des contrats d'assurance-vie ayant une valeur de rachat selon les propositions, entrerait en conflit avec le chapitre 4410 Apports – comptabilisation des produits, qui donne le choix à l'organisme de comptabiliser les actifs reçus sous forme d'apport, à la juste valeur de ce dernier à la date de l'octroi, lorsque certains critères sont remplis.

De plus, les membres précisent que les propositions engendreraient un écart important avec les exigences du paragraphe .33 du chapitre 4449, lorsqu'un regroupement d'organismes sans but lucratif est comptabilisé comme une acquisition, car selon ce dernier, tous les actifs acquis doivent être comptabilisés à leur juste valeur à la date d'acquisition sauf dans le cadre de certaines exceptions. Des enjeux d'application du chapitre 4450 pourraient aussi être à envisager lors de la consolidation d'entités contrôlées qui ne sont pas des OSBL.

Question 2 : Le CNC propose la comptabilisation de la valeur de rachat à titre d'actif seulement lorsque le titulaire est également le bénéficiaire de la prestation de décès. Appuyez-vous cette proposition? Dans la négative, pourquoi et quelles solutions le CNC devrait-il envisager?

Les membres n'appuient pas cette proposition.

D'abord, selon eux, il pourrait y avoir des circonstances où l'organisme pourrait avoir le contrôle sans être titulaire de la police d'assurance-vie. Ils font remarquer que cette limitation est surprenante, dans un contexte où un actif loué en vertu d'un contrat de location acquisition peut être comptabilisé comme

actif sans que son titre de propriété ne soit transféré. Ils se demandent pourquoi les critères de contrôle d'un actif énoncés aux paragraphes .24 à .27 du chapitre 1001 *Fondements conceptuels des états financiers des organismes sans but lucratif*, n'ont pas été utilisés par le CNC dans ses propositions. Dans la pratique actuelle, les fondations bénéficiaires qui comptabilisent les polices d'assurance-vie en tant qu'actif lorsqu'elles exercent le contrôle sur celles-ci n'en sont pas titulaires.

Ils font remarquer qu'actuellement, si le bénéficiaire n'est pas irrévocable, et que le titulaire de la police ne paie pas les primes d'assurance, la police peut être annulée. En pratique, les polices d'assurance-vie avec valeur de rachat ne sont pas comptabilisées si le bénéficiaire n'est pas irrévocable.

De plus, selon eux, le chapitre 4420 permet déjà de comptabiliser des legs irrévocables, mais il est rare en pratique de comptabiliser ces montants avant de les avoir reçus étant donné que les legs peuvent être contestés dans certaines circonstances. On retrouve normalement les informations en note aux états financiers.

Ils proposent donc que des critères de contrôle, cohérents avec le chapitre 1001, soient élaborés au lieu du critère de titulaire-bénéficiaire.

Question 3 : Le CNC propose la présentation des primes d'assurance et de la variation de la valeur de rachat sur la base du montant net, ce qui signifie qu'un débit net serait présenté à titre de charge et qu'un crédit net serait présenté à titre de produits. Appuyez-vous cette proposition? Dans la négative, pourquoi, et quelles solutions le CNC devrait-il envisager?

Selon les membres, la proposition devrait être simplement de comptabiliser les montants nets aux résultats. Selon eux, dans certaines circonstances un organisme pourrait choisir de présenter cet élément à titre d'autre produit (activités accessoires) ou en réduction des charges au lieu des produits.

Un des aspects qui n'est pas traité dans les propositions et pour lequel les membres se sont questionnés est la présentation à l'état des flux de trésorerie. Comme une portion de l'augmentation de valeur correspond à un investissement, ils se sont demandé comment traiter cette portion dans l'état des flux de trésorerie. Les membres proposent que le montant net soit présenté dans les éléments hors caisse des activités de fonctionnement.

Question 4 : Le CNC propose la présentation du montant total de la valeur comptable des valeurs de rachat de tous les contrats d'assurance vie ayant une valeur de rachat. Il propose également la présentation des montants correspondant aux acquisitions et aux résiliations de contrats d'assurance vie ayant une valeur de rachat au cours de l'exercice. Appuyez-vous la proposition visant l'obligation d'indiquer :

a) le montant total de la valeur comptable des valeurs de rachat de tous les contrats d'assurance vie ayant une valeur de rachat? Dans la négative, pourquoi, et quelles solutions le CNC devrait-il envisager?

Oui, les membres sont d'accord avec les propositions.

b) les montants correspondant aux acquisitions et aux résiliations de contrats d'assurance vie ayant une valeur de rachat au cours de l'exercice. Dans la négative, pourquoi et quelles solutions le CNC devrait-il envisager?

Non, les membres ne sont pas d'accord avec les propositions. Les membres ont souligné qu'il n'existe à leur connaissance aucune autre exigence équivalente pour toute autre poste des ÉF et ne voient pas la nécessité d'inclure une exigence spécifique à ce sujet en ce qui concerne les contrats d'assurance vie ayant une valeur de rachat. De leur avis, la présentation des encaissements et décaissements (résultant des acquisitions ou des résiliations) à l'état des flux de trésorerie permet de communiquer une information suffisante à cet égard.

Question 5 : Le CNC propose que les contrats d'assurance vie reçus par un OSBL sous forme d'apports soient comptabilisés au montant de la valeur de rachat à la date à laquelle le donateur cède à l'OSBL la propriété du contrat.

a) Appuyez-vous cette proposition? Dans la négative, pourquoi et quelles solutions le CNC devrait-il envisager?

Tel qu'il est expliqué plus en détail en réponse à la question 1, les avis sont partagés sur le sujet, mais les membres ont de la difficulté à comprendre pourquoi les propositions s'écartent des dispositions des chapitres 4410 et 4420 concernant les apports à recevoir et les apports reçus sous forme de biens et de services.

b) Avez-vous connaissance de dons planifiés, d'opérations de planification fiscale ou d'autres arrangements que le CNC devrait envisager d'inclure dans le champ d'application de la note d'orientation?

Les membres indiquent que ce type d'opérations est assez rare en pratique. Le seul exemple de dons planifiés dont ils ont discuté sont les prêts à fonds perdus, qui représentent des contrats par lesquels l'investisseur (ou un OSBL désigné comme bénéficiaire) perçoit des redevances pour la durée de la vie du prêteur et dont le capital est perdu au décès du donateur ou de l'investisseur. De tels contrats, qui sont selon leur expérience principalement rencontrés dans des organisations religieuses, sont essentiellement assimilables à des achats de rente et permettent à la personne donatrice de demeurer dans l'institution religieuse avant son décès.

Question 6 : Le CNC propose de prévoir des exceptions à l'application des dispositions concernant l'évaluation à la juste valeur contenues dans le [chapitre 1582, REGROUPEMENTS D'ENTREPRISES](#), et dans le chapitre 4449, REGROUPEMENTS D'ORGANISMES SANS BUT LUCRATIF, pour exiger que les contrats d'assurance vie ayant une valeur de rachat qui sont acquis dans le cadre d'un regroupement soient évalués au montant de la valeur de rachat. Appuyez-vous cette proposition? Dans la négative, pourquoi et quelles solutions le CNC devrait-il envisager?

Bien que ces situations soient plutôt rares, une exception devrait effectivement être prévue au chapitre 4449 dans la mesure où un modèle d'évaluation à la valeur de rachat pour les contrats d'assurance vie est prévue. Conformément à leur proposition énoncée en réponse à la question 1 b) ci-dessus, cette exception ne serait applicable que dans le contexte où l'organisme sans but lucratif aurait adopté comme méthode comptable la mesure d'allégement permettant l'évaluation de tels contrats d'assurance vie à leur valeur de rachat.

Question 7 : Le CNC propose que la note d'orientation s'applique pour les exercices ouverts à compter du 1^{er} janvier 2025. Il propose aussi qu'elle soit appliquée de façon rétrospective pour les contrats d'assurance vie déjà souscrits au début de la première période présentée.

a) Êtes-vous favorable à ce que la note d'orientation en projet s'applique pour les exercices ouverts à compter du 1er janvier 2025 et que l'application anticipée soit permise? Dans la négative, pourquoi?

Les membres n'ont pas relevé d'enjeu relativement à la date d'application proposée.

b) Êtes-vous favorable à ce que la note d'orientation soit appliquée de façon rétrospective pour les contrats d'assurance vie déjà souscrits au début de la première période présentée? Dans la négative, pourquoi?

Les membres proposent que l'application rétrospective se fasse sans retraitement des comparatifs, ou qu'un allègement puisse le permettre.

Montreal, January 29, 2024

Katharine Christopoulos, CPA, CA
Director, Accounting Standards
Accounting Standards Board
277 Wellington Street West
Toronto, Ontario M5V 3H2

Dear Ms. Christopoulos:

Please find enclosed the comments of the Technical Working Group on NFPO – Financial accounting – Part III, established by the Ordre des comptables professionnels agréés du Québec, on the exposure draft entitled “Accounting for Life Insurance Contracts with Cash Surrender Value.”

Please note that the Order is only a facilitator, and that this document does not constitute a response by the Order, but the views of the working group members. In addition, neither the Order nor any of the persons involved in preparing the comments shall have any liability in relation to their use, and no guarantee whatsoever shall be provided regarding these comments, as described in the disclaimer enclosed.

Yours truly,



Annie Smargiassi, CPA auditor

Representative of the Technical working group on NFPO – Financial Accounting – Part III of the Ordre des comptables professionnels agréés du Québec

Encl. Disclaimer and comments

DISCLAIMER

Subject to the conditions described herein, the documents prepared by the technical and sector-specific working groups of the Ordre des comptables professionnels agréés du Québec (the Order), hereinafter referred to as the “comments,” provide the opinion of working groups on statements of principles, documents for comment, associates’ drafts and exposure drafts published by the Accounting Standards Board, Auditing and Assurance Standards Board, Public Sector Accounting Board, Risk Management and Governance Board, and other organizations.

The comments submitted by these boards should not be relied upon as a substitute for engagements entrusted to professionals with specialized knowledge in their field. It is important to note that the legislation, standards and rules on which the comments are based may change at any time and that, in some cases, the comments may be controversial.

Neither the Order nor any person involved in preparing these comments shall have any liability in relation to their use, and no guarantee whatsoever shall be provided regarding these comments. These comments are not binding on the technical and sector-specific working groups, the Order or the Office of the syndic in particular.

Users of the comments shall take full responsibility for, and assume all risks relating to, the use of the comments. They agree to release the Order from any claim for damages that could result from a decision they made based on these comments. They also agree not to mention the comments received from working groups in the opinions they express or the positions they take.

TERMS OF REFERENCE OF THE ORDER'S WORKING GROUPS

The working groups of the Ordre des comptables professionnels agréés du Québec are to collect and channel the views of practitioners and members in business, industry and government, as well as those of other persons working in related areas of expertise.

For each exposure draft or other document reviewed, the technical working group members share the results of their analysis. Consequently, the comments below reflect the views expressed and, unless otherwise specified, all of the working group members agree on these comments.

The Order does not act upon and is not responsible for the comments made by the working groups.

THE ACSB'S SPECIFIC QUESTIONS

Question 1: The AcSB proposes recognition of life insurance contracts with cash surrender value as an asset at the cash surrender amount, which is the amount that would be immediately realized by the owner and beneficiary upon termination of the policy prior to death of the insured.

a) *Do you agree with the proposal to recognize cash surrender value as an asset? If not, why not and what alternatives should the Board consider?*

The members' positions are split in this regard; there is no consensus. The members specify that this type of asset is an alternative financing method for NFPOs, whereas in the case of for-profit enterprises, it is a measure to protect equity. Clarification and suggestions are provided later in the text.

b) *Do you agree with the proposal to measure cash surrender value at the cash surrender amount at the balance sheet date? If not, why not and what alternatives should be Board consider?*

Members' positions are split in this regard. Some members consider cash surrender value to be readily available but not necessarily the best value to use. In substance, this asset is a note receivable of a known amount that is collectible at the time of a future event (i.e., the date of the insured's death). Therefore, members wonder why this asset should be treated differently than financial assets, i.e., at fair value on initial recognition where its acquisition is the result of an arm's length transaction? The members in favour of using this value indicate that it is readily available and that tax transactions surrounding the transfer of these assets at fair value are routinely undertaken. It is explained that if an organization receives such an insurance policy, it will generally issue a donation tax receipt for the amount of the fair value of the policy (as determined by an actuary at the time of the donation), not its cash surrender value. Where the policy is not fully paid and the donor continues to pay premiums, the donor will generally also receive a donation receipt for the payments made. The use of cash surrender value is hard to justify in this context.

Other members see this amount as a contingent gain, whose recognition would be prohibited under Section 3290 in Part II.

The members propose that insurance policies be accounted for using control criteria from Section 1001, regardless of whether they are initially measured at fair value at the time of grant and subsequently at amortized cost (or at fair value if so elected), as would any other financial asset (other than derivatives or equity instruments quoted in an active market) acquired on subsequent measurement in an arm's length transaction (such as a note receivable from an unrelated party), in accordance with Section 3856. However, relief measures that allow measurement at cash surrender value might be proposed in circumstances in which the fair value cannot be reasonably obtained.

The members also noted that the accounting for life insurance contracts with cash surrender value under the proposals would conflict with Section 4410, Contributions – Revenue Recognition, which provides an organization with an election to recognize contributed assets at the fair value of the contributed assets at the grant date when certain criteria are met.

In addition, the members specify that the proposals would result in a significant difference with the requirements in paragraph .33 of Section 4449, when a combination of not-for-profit organizations is accounted for as an acquisition because, according to the latter, all assets acquired must be recognized at their acquisition-date fair values save for certain exceptions. There could also be issues with applying Section 4450 when consolidating controlled entities that are not NFPOs.

Question 2: The AcSB proposes recognition of cash surrender value as an asset only when the policy owner is also the beneficiary of the death benefit. Do you agree with this proposal? If not, why not and what alternatives should be Board consider?

The members do not support this proposal.

First, they consider that there could be circumstances in which the organization could have control without being the life insurance policy holder. They noted that this limitation is surprising in a context in which a leased asset under a capital lease can be recognized as an asset without legal title being transferred. They wonder why the AcSB's proposals did not use the criteria for control over an asset described in paragraphs .24 to .27 of Section 1001, *Financial Statement Concepts for Not-for-Profit Organizations*. In current practice, beneficiary foundations that account for life insurance policies as an asset where they exercise control over the life insurance policies are not policy holders.

They noted that currently, if the beneficiary is not irrevocable and the policy holder does not pay the insurance premiums, the policy can be cancelled. In practice, life insurance policies with cash surrender value are not recognized if the beneficiary is not irrevocable.

In addition, members consider that Section 4420 already permits the recognition of irrevocable bequests. However, it is rare in practice to recognize these amounts before they are received since bequests can be challenged in certain circumstances. The information would normally be disclosed in a note in the financial statements.

They therefore propose that control criteria consistent with Section 1001 be developed instead of having a policy holder beneficiary test.

Question 3: The AcSB proposes presentation of policy premiums and the change in cash surrender value on a net basis, with a net debit reported as an expense and a net credit reported as income. Do you agree with this proposal? If not, why not and what alternatives should the Board consider?

The members consider that the proposal should simply be to recognize the amounts in income on a net basis. In their view, in certain circumstances, an organization could elect to present this item in other income (incidental operations) or as a reduction of expenses rather than as revenue.

One of the areas that are not addressed in the proposals, which the members wondered about, is how this would be presented in cash flow statements. Since a portion of the increase in value is an investment, they wondered how to treat that portion in cash flow statements. The members propose that the amount be presented in non-cash working capital items on a net basis.

Question 4: The AcSB proposes disclosure of the carrying amount of cash surrender value in aggregate for all life insurance policies with a cash surrender value. Also, the Board proposes disclosure of the amounts of acquisitions and terminations of life insurance policies with cash surrender value during the period. Do you agree with the proposal to require disclosure of:

a) the carrying amount of cash surrender value in aggregate for all life insurance policies with a cash surrender value? If not, why not and what alternatives should the Board consider?

Yes, the members agree with the proposals.

b) the amounts of acquisitions and terminations of life insurance policies with cash surrender value during the period? If not, why not and what alternatives should be Board consider?

No, the members do not agree with the proposals. The members stated that they are unaware of any equivalent requirements for any other financial statement line item and see no need to include a specific requirement with respect to life insurance contracts with cash surrender value. They considered that presenting receipts and disbursements (for acquisitions or terminations) in the statement of cash flows would provide sufficient disclosure in this regard.

Question 5: The AcSB proposes recognition of contributions of life insurance policies at the cash surrender amount on the date that the donor transfers ownership of the life insurance policy to the NFPO.

a) Do you agree with this proposal? If not, why not and what alternatives should be Board consider?

As discussed in more detail in response to question 1, views on the subject are split, but members have difficulty understanding why the proposals deviate from the provisions of Sections 4410 and 4420 regarding contributed materials and services.

b) Are you aware of other planned giving, tax planning or other arrangements that the Board should consider including in the scope of the Guideline?

The members indicated that this type of transaction is fairly rare in practice. The only example of planned donations discussed was lost fund loans, which are contracts under which an investor (or an NFPO designated as beneficiary) collects royalties during the lender's lifetime and the principal amount is lost upon death of the donor or investor. Such contracts, which are based primarily on their experience with religious organizations, are basically akin to annuity purchases that allow the donor to remain in the religious institution prior to death.

Question 6: The AcSB proposes to provide exceptions to the fair value measurement requirements in BUSINESS COMBINATIONS, [Section 1582](#), and COMBINATIONS BY

NOT-FOR-PROFIT ORGANIZATIONS, Section 4449, to require measurement of cash surrender value acquired in a combination at the cash surrender amount. Do you agree with this proposal? If not, why not and what alternatives should be Board consider?

While these situations are fairly rare, an exception should indeed be set out in Section 4449 to the extent that a cash surrender value model for life insurance contracts is provided. Consistent with their proposal in response to question 1(b) above, this exception would only be applicable in a context in which a not-for-profit organization has adopted an accounting policy comprising the relief measure allowing such life insurance contracts to be measured at the cash surrender amount.

Question 7: The AcSB proposes that the Guideline should be effective for fiscal years beginning on or after January 1, 2025. The Board also proposes that the Guideline be applied retrospectively to life insurance policies in place at the beginning of the earliest period presented.

a) Do you agree that the proposed Guideline should apply for annual periods beginning on or after January 1, 2025, with earlier application permitted? If not, why not?

The members did not identify any issues with the proposed effective date.

b) Do you agree that the proposed Guideline should be applied retrospectively to life insurance policies in place at the beginning of the earliest period presented? If not, why not?

The members suggested that retrospective application should be applied without restatement of comparative information, or that relief be provided.



January 31, 2024

Ms. Katharine Christopoulos
CPA, CA
Director, Accounting Standards
Accounting Standards Board
277 Wellington Street West
Toronto ON M5V 3H2

Dear Ms. Christopoulos:

Re: Accounting for Life Insurance Contracts with Cash Surrender Value (Exposure Draft or proposal)

We welcome the opportunity to comment on the Accounting Standards Board's (AcSB or the Board) Exposure Draft, Accounting for Life Insurance Contracts with Cash Surrender Value. We agree with the proposal to issue a new accounting guideline to address these contracts, and the approach the AcSB has taken with respect to the proposed accounting and disclosure within this guideline.

We would be pleased to respond to any questions you might have. Questions can be addressed to Celeste Murphy (celeste.k.murphy@pwc.com) and/or Sean Cable (sean.c.cable@pwc.com).

Yours very truly,

PricewaterhouseCoopers LLP

Chartered Professional Accountants