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Letter of Comment No: 22  
File Reference: FSPAAGINVA  
Date Received:

Mr. Lawrence Smith  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856

Re: FSP Exposure Draft AAG INV-a, *Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide*

We are respectfully submitting AIG Financial Products Corp.'s comments on the proposed FASB staff position on Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide. We appreciate the effort and time that both the Staff and Board have devoted to clarifying and ensuring that contract value accounting will continue for individual plans and collective funds. Ultimately participants in these plans are the winners.

We have attended the working forums and Board meetings, while also participating in the Stable Value Investment Association's working task force on the issue, and are confident that the contract value accounting issue will be resolved favorably. We support the SVIA's response to the Exposure Draft. In addition, we would like to further address an item mentioned in the SVIA's response.

This item relates to *Paragraph 8b. – Reporting Fair Value of Wrapper Contracts* and *Paragraph 10a. – Disclosure of the fair value of the wrapper contract* of the Exposure Draft.

We are concerned about the requirement that funds report the fair value measurement of wrapper contracts. Given that wrapper contracts are essentially privately negotiated contracts, are not traded or even allowed to be traded without the approval of the parties, and that quoted market prices do not exist, the fair value estimate would necessarily be based on complex models that incorporate a number of factors and assumptions, certain of which involve subjective judgment.

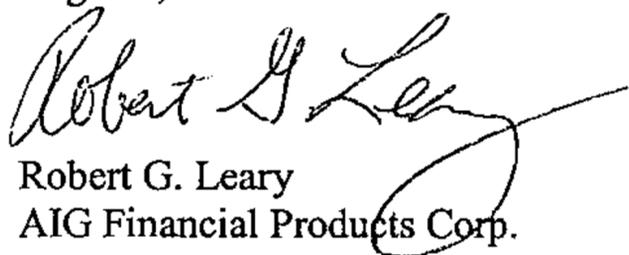
Creating a model for the fair valuation of an investment contract would be challenging given the complexity of these contracts. The valuation model must include a number of

market assumptions, assumptions about anticipated plan participant behavior and actuarial assumptions. Market assumptions such as changes in interest rates, the time horizon to be measured and the probability of any rate path are relatively straightforward to model. However, assumptions about participant behavior with respect to investment choices (e.g., moving from stable value funds to equity funds) and life choices (e.g., when to retire) are highly subjective and, therefore, more difficult to model. Lastly, actuarial assumptions about death and disability further complicate the process. As a result, different funds, acting reasonably, may arrive at materially different valuations for similar wrapper contracts.

In addition to the complexity associated with creating a reliable model for purposes of determining the fair value of these contracts, it is not clear to us that the values generated would be useful to plan participants in respect of their investment in the fund in light of their ability to transact at contract value.

We appreciate the FASB's overall effort in this process and hope that the issues that the SVIA and we have raised are considered helpful. We welcome any opportunity to clarify our points.

Regards,



Robert G. Leary  
AIG Financial Products Corp.