



Letter of Comment No: 26  
File Reference: EITF03-1  
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September 28, 2004

Director TA&I-FSP  
Financial Accounting Standards Board  
401 Merritt 7  
Norwalk, CT 06856-5116

RE: Proposed FASB Staff Position - Effective Date of Paragraph 16 of EITF Issue No. 03-1 - *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments* (FSP EITF 03-1-b or EITF 03-1).

Mr. Director,

We are writing with regard to the issuance of FSP EITF 03-1-b and to further emphasize the importance of certain issues outlined in our letters to the FASB dated September 7, 2004 and September 10, 2004. In consideration of the preceding, we believe it would be appropriate for the FASB to delay the effective date of all consensus' contained within EITF 03-1 as opposed to the limited deferral that would be provided by FSP EITF 03-1-b. More specifically, given the commonality of characteristics possessed by securities that fall within the scope of paragraphs 10 (including securities accounted for using the cost method of accounting pursuant to APB Opinion No. 18, *The Equity Method of Accounting for Investments in Common Stock*) and 16, together with the potential applicability of any accounting guidance forthcoming from the FSP on investment securities that fall within the scope of paragraph 10, we believe it both necessary and appropriate to delay the implementation of all consensus' contained within EITF 03-1 until such time as all outstanding implementation issues are satisfactorily resolved.

In addition to the commonality of characteristics described above, we continue to believe that, consistent with the views of Board member Katherine Schipper, any conclusions reached that determine the recognition of paragraph 16 impairments as temporary or other than temporary impairment (OTTI) should apply to securities that fall within the scope of both paragraph 10 and 16 as the various sources (e.g. interest rates, foreign currency risk, credit spreads, etc.) of immaterial short-term fluctuations in fair value is irrelevant as long as the movements are normally distributed.

In the absence of a full deferral, reporting entities will be required to apply the consensus' in EITF 03-1 to securities that fall within the scope of paragraph 10, and possibly to certain securities that fall within the scope of paragraph 16 to which the deferral does not apply as of September 30, 2004, before knowing whether critical implementation guidance, which has yet to be deliberated, will be applicable to those securities. In the event the preceding situation were to materialize we believe the following negative consequences would potentially emerge:

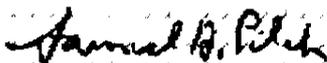
- Applying a separate and dissimilar OTTI impairment standard to securities falling within the scope of paragraph 10 (in relation to that ultimately established for paragraph 16), will in our estimation, create a situation where the relative attractiveness of paragraph 10 securities will be diminished in a manner that would potentially negatively impact both the liquidity and fair value of this class of securities.

- As discussed in prior correspondence, the negative impact on securities that fall within the scope of paragraph 10 would be associated with the common practice of constructing Index Portfolios with equity securities. Applying the existing consensus' in EITF 03-1 to these types of portfolios may result in investors selling equity securities that have unrealized losses (regardless of the materiality of those unrealized losses) that it does not desire to designate an intent to hold on a "quasi permanent" basis. Given the prevalence of Index Portfolios we believe this could have significant negative economic consequences to investors holding equity securities that are part of common indices that have unrealized losses at (or near the end) of any reporting period.
- The lack of sufficient specificity in FSP EITF 03-1-b regarding the types of securities that fall within the scope of paragraph 10 as opposed to paragraph 16, as well as the types of securities that fall within the scope of the deferral provided by the FSP, may require reporting entities to recognize impairment losses in situations where they are unsure about either (or both) the classification of individual securities (i.e. paragraph 10 or 16) and scope (i.e. whether the securities are within the scope of the proposed deferral) but desire to maintain the ability to subsequently sell such securities without triggering a tainting event.

Based on the preceding, we ask that the FASB consider expanding the application of FSP EITF 03-1-b to defer the effective date of all consensus' contained within EITF 03-1 for the reasons enumerated herein. Our primary concern continues to be the potential inconsistent interpretations among reporting entities and public accounting firms concerning the application of EITF 03-1 to securities that fall within the scope of paragraph 10 and 16, together with the fact that those interpretations may ultimately be superseded by the guidance in the yet to be deliberated FSP EITF 03-1-a. In that respect, we believe the benefit of applying EITF 03-1 to securities that fall within the scope of paragraph 10 before the resolution of the issues to be addressed in the aforementioned FSP, do not appear to exceed the risk of early application and would essentially contravene the intended purpose of the EITF which was to provide clear and common guidelines that would be applied on a consistent basis among reporting entities. In addition, we believe if there is no deferral of the application of EITF 03-1 to securities falling within the scope of paragraph 10, the FASB should provide a one-time ability to reclassify such securities from available-for-sale to trading without triggering a tainting event.

We appreciate your consideration of these issues. I can be reached at (847) 402-2213 if you would like to discuss the contents of this letter.

Sincerely,



Samuel H. Pileh  
Controller  
The Allstate Corporation

cc: Dan Hale  
Chief Financial Officer