



Letter of Comment No: /
File Reference: EITF03-1A

September 30, 2004

Mr. Lawrence W. Smith
Chairman of Emerging Issues Task Force
Financial Accounting Standards Board
401 Merritt 7
Norwalk, Connecticut 06856-5116

Re: Proposed FSP EITF Issue 03-1-a

Dear Mr. Smith:

We wish to offer our comments on the specific issue of defining *minor impairment* as an impairment of 5 percent or less. As a holder of over \$29 billion of available-for-sale fixed maturity securities, we are concerned that a specified numerical rule or threshold will eventually lead to automatic other than temporary impairments without management's consideration of all relevant factors in the decision. As a provider of disability insurance products, our intent is to hold our investments to maturity to meet our liability payments. We are able to hold our investments throughout credit and interest rate cycles because of our capital position, the fixed nature of our liabilities, and the matching of the duration of those liabilities with the maturities of our invested assets.

Almost 95 percent of our fixed maturity securities are investment-grade, and the unrealized losses on those securities principally relate to changes in interest rates or changes in market or sector credit spreads which occurred subsequent to the acquisition of the securities. These changes are generally temporary and are not recognized as realized investment losses unless the securities become other than temporarily impaired or until a decision is made that we are unlikely to hold the securities until recovery. Our below-investment-grade fixed maturity securities are more likely to develop impairment due to credit concerns. We utilize a formal, well-defined, and disciplined process to monitor and evaluate our fixed income portfolio, both investment-grade and below-investment-grade. The investment monitoring committee includes certain members of senior management in addition to the Company's other investment and accounting professionals. This process involves a thorough evaluation of problem investments and considers all available information, both positive and negative, including the current market price of the investment. This process has resulted in write-downs on a timely basis for those investments determined to be other than temporarily impaired.

We believe that our investment monitoring process allows us to apply the notion of "minor impairment" without any additional guidance from the FASB. There have been instances where we have taken write-downs on what might be considered a "minor impairment" because our process indicated that the impairment was other than temporary. Conversely, there are fluctuations, particularly in our investment-grade portfolio, where market values often fall below

95 percent of book value, but our monitoring process indicates no existence of an other than temporary impairment. FASB guidance which provides a “bright-line” test could perhaps, in the case of “minor impairments,” result in a failure to reach the appropriate conclusion in the analysis of an investment if the market value is within the threshold, even though available evidence may otherwise support the need to record an other than temporary impairment loss. Conversely, the “bright-line” test might result in the recognition of unjustified impairment losses and misleading earnings volatility if the “bright-line” test threshold level became the “norm” or standard used for judging compliance. We believe that the process of evaluating fixed maturity securities for other than temporary impairments is very complex and that the establishment of a “bright line” numerical threshold for all securities would not be advisable.

We value the opportunity to voice our concerns and appreciate your consideration of our views in this matter.

Sincerely,



Vicki W. Corbett
Vice President and Controller
UnumProvident Corporation