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July 28, 2005

Mr. Larry Smith
Financial Accounting Standards Board
401 Merritt 7
Norwalk, CT 06856-5116

Letter of Comment No: 4
File Reference: FSPTB85-4-A
Date Received:

Re: Proposed FASB Staff Position Technical Bulletin 85-4-a -- "Accounting for Life Settlement Contracts by Investors" (FSP)

Dear Mr. Smith:

We appreciate the opportunity to comment on the above-referenced FSP. In addition to life settlement providers, the application of this guidance is an important subject for insurers and policy owners as well. We are not in favor of the adoption of the FSP, in that it would permit a new and different measurement criteria for life insurance contracts held by a specific industry segment, life settlement providers.

The FSP assumes that the initial purchase price of a life settlement contract would reflect a fair value resulting from a bargained purchase, based on an evaluation of the life expectancy of the insured. We don't believe that a reliable estimate can be made of a single individual's life expectancy. Due to the uncertainty of an individual's life expectancy and the wide distribution of settlement offers among settlement companies, the initial purchase price of a single life insurance contract is more in the nature of a "wager" than an investment. Carrying values by investors in life settlement transactions should reflect aggregate portfolio values after applying actuarial techniques and the law of large numbers rather than a simple accumulation of individually-purchased contracts.

We have observed many instances where financial intermediaries may recruit younger, healthy insureds as candidates for life settlements in an effort to replace or increase insurance coverage and thereby avoid surrender charges. In those situations, the time lapse between the settlement transaction and expected payment of policy proceeds may be lengthy. Disregard for the time value of money is inconsistent with the economics of the transaction, especially in situations where the life settlement provider secures funding from third party investors, which inherently involves discounting at interest of the expected cash flows from policy proceeds.

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The method described in the FSP is not clear with respect to potential impairment issues. Without comprehensive guidance regarding impairment, the potential exists for significant overstatement of these investments in financial statements. The FSP is not specific as to whether a secondary insurance contract purchase should be considered a long-lived asset, a financial instrument or some other asset. The impairment model contained in the FSP seems to follow the impairment model contained in SFAS 144 regarding "long-lived assets to be held and used." This seems inconsistent with the investment nature of the contract. Also, the investment method suggested does not consider the credit worthiness of the insurer liable for payment of policy proceeds. The existence of various state guaranty associations does not ensure the collection of all policy face amounts because guaranty associations may limit the death benefit payable or modify contractual provisions in insolvency. Finally, the FASB should be aware of widespread claims of fraud made by investors, insurers and receivers that have recently impacted recoveries of policy proceeds in connection with life settlements. For these reasons, we believe that credit risks and recoverability should be incorporated into the impairment guidance for these contracts.

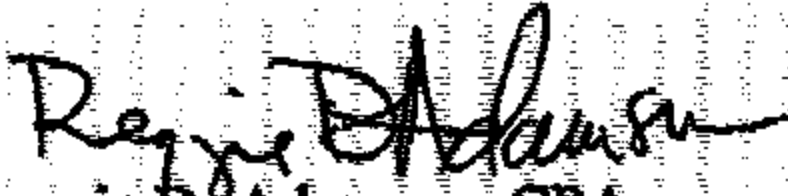
We are concerned about the potential for unintended consequences for business-owned life insurance by this proposal. If secondary owners are permitted to record a higher value in a life insurance contract than the original policy owner, this could encourage a new industry of financial intermediaries sponsoring financing transactions to increase the carrying value of life insurance contracts owned by reporting entities (e.g. through use of special purpose or variable interest entities).

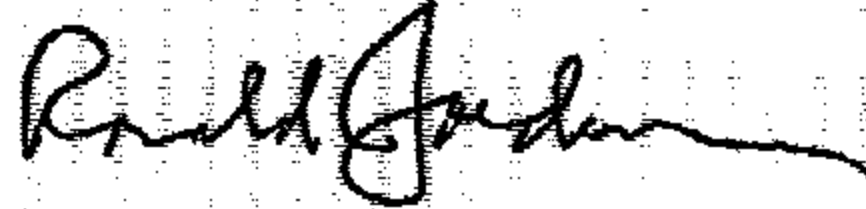
The FASB and IASB are moving towards convergence on various aspects of accounting for life insurance policies. The FASB should not issue this application of insurance contract accounting pending further study and resolution of the accounting model for all life insurance contracts, not just those owned by secondary purchasers. The FASB and IASB have devoted significant resources toward studying fair value accounting for insurance contracts. While we don't necessarily endorse this approach, we believe that the FASB should continue to study the applicability of fair value accounting, applying life contingency, withdrawal and interest rate assumptions. We think that generally accepted actuarial practices might be applied in measuring the fair value of life settlement contracts, if a sufficient population exists. We endorse the FSP requirement for disclosures, in that those specific disclosures, at a minimum, are important to financial statement users' ability to assess the risk management practices applied by settlement providers.

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We thank you for your consideration and would be pleased to discuss further with the FASB staff our views on this matter.

Sincerely,


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Vice President and Controller
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CC: Mr. Robert Herz, Chairman
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