

28 July 2005

Letter of Comment No: 3
File Reference: FSPTB85-4-A
Date Received:

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

Re: Comments – FSP TB 85-4-a

Dear Mr. Smith:

Coventry First appreciates the opportunity to provide comments and make recommendations on the proposed FSP 85-4-a, issued in connection with guidance for the accounting of investments in life settlement transactions. Coventry First is very supportive of the position taken by FASB staff in this proposed FSP.

We recommend that the definition of a life settlement be modified to remove the parenthetical “(the insured)” as the insured is not always the policyowner of the life insurance contract. Additional references to ‘insured’ throughout the FSP should also be replaced with ‘policyowner’.

Also, we recommend modifying the parenthetical “(life settlement provider)” to read “(life settlement provider or a third party purchaser)” as a contract may be resold in the future to a life settlement provider or to a third party purchaser. All other references to “life settlement provider” throughout the FSP should also be replaced with “life settlement provider or third party purchaser”:

2. A life settlement contract for purposes of this FSP is a contract between the owner of a life insurance policy (the policyowner) (~~the insured~~) and a third party (life settlement provider or a third party purchaser) and has the following characteristics: (a) the life settlement provider or the third party purchaser does not have an insurable interest (an interest in the survival of the insured, which is required to support the issuance of an new insurance policy), (b) the life settlement provider or the third party purchaser pays the insured an amount in excess of the current cash surrender value of the life insurance policy, and (c) the contract pays the face value of the life insurance policy to the life

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settlement provider or the third party purchaser when the insured dies. This FSP addresses transactions in which a broker facilitates settlement transactions between the insured policyowner and the life settlement provider or the third party purchaser, as well as transactions that do not involve a broker.

Finally, we also recommend a modification in paragraph 8 to remove the word 'maximum' as many life insurance contracts have flexible premium schedules which would permit almost any level of funding of premiums. We recommend that the premium request be based on premiums expected to be paid rather than maximum premiums.

8. The ~~maximum~~ life insurance premiums expected ~~required~~ to be paid for these life settlements, within 1 year from the date of the most recent statement of financial position presented, also should be disclosed in total.

As recommended in the FTP, we believe that the Investment Method provides a consistent and easy to understand valuation basis which approximates fair value for this asset class.

Sincerely,

Antonio Muñiz
Chief Financial Officer

AM: