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August 1, 2005

Mr. Lawrence W. Smith Director, TA&I – FSP Financial Accounting Standards Board 401 Merritt 7 P. O. Box 5116 Norwalk, CT 06856-5116

Letter of Comment No: 8 File Reference: FSPTB85-4-A

DAte Received:

Proposed FASB Staff Position No. TB 85-4-a, "Accounting for Life Settlement Contracts by Investors"

Dear Mr. Smith:

Deloitte & Touche LLP is pleased to comment on the proposed FASB Staff Position No. TB 85-4-a, "Accounting for Life Settlement Contracts by Investors" ("proposed FSP").

The proposed FSP is clearly an improvement over the current approach, which requires the investor to use the cash surrender value of an underlying policy pursuant to FASB Technical Bulletin No. 85-4, Accounting for Purchases of Life Insurance, in measuring its investment in a life settlement contract ("cash surrender value method"). The investment method described in the proposed FSP addresses several shortcomings of the cash surrender value method and provides a measure that reflects the economic substance of life settlement contracts better than the cash surrender value method. In addition, when compared to other measurement alternatives considered by the FASB (e.g., fair value, the effective yield method, and the present value income method), the investment method is the most practical because the investor does not have to estimate the life expectancy of the insured. Often, the investor will not have sufficient information to reliably estimate the life expectancy of the insured after inception of the arrangement. For these reasons, we do not object to issuance of the proposed FSP in its current form as a final standard.

From a conceptual standpoint, however, we recognize that fair value is a superior method because it is the measure that is most relevant to investors in evaluating their investments in life settlement contracts. The Board noted that it considered, but did not accept, fair value as the measurement attribute for life settlement contracts because the determination of fair value subsequent to the acquisition date may not be reliable. On many other occasions, and on an increasingly frequent basis, the Board has considered the use of fair value measurements in the financial statements for items whose fair value contains significant subjectivity (e.g., conditional asset retirement obligations). The fact that the Board was divided on whether fair value is the appropriate measurement attribute for life settlement contracts emphasizes the need for a measurement framework and enhanced fair value measurement guidance, especially in the area of financial

¹ Other methods, such as an effective yield method, also appear conceptually superior to the investment method, but would likely give rise to many of the same practical concerns as the fair value method (e.g., the reliability of the measurement due to the inability to obtain sufficient information as to the life expectancy of the insured).

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instruments. The Fair Value Measurement project, the Fair Value Option project (which appears to potentially include life settlement contracts within its scope), and the Conceptual Framework project (e.g., when to use certain measurement attributes) are intended to be steps towards achieving that goal. We encourage the Board to work expeditiously, in conjunction with the International Accounting Standards Board, to develop comprehensive fair value measurement guidance for financial instruments to promote consistent and comparable measurement attributes in the financial statements.

We appreciate the opportunity to comment on the proposed FSP. If you have any questions concerning our comments, please contact Robert Uhl at (203) 761-3705.

Yours truly,

Deloitte & Touche LLP

cc: James A. Johnson