

THE TODD ORGANIZATION

August 4, 2006

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LETTER OF COMMENT NO.

97

Emerging Issues Task Force  
Financial Accounting Standards Board

Attn.: Lawrence W. Smith, Chairman – Emerging Issues Task Force and  
Director -- Technical Application and Implementation Activities

John Richter, EITF Technical Assistant

EITF0604 Task Force Members and Staff

Re: File Reference No. EITF0604  
Comments on FASB Draft Abstract for EITF Issue No. 06-4  
Accounting for Deferred Compensation and Postretirement  
Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements

Dear Messrs. Smith & Richter, EITF Task Force Members & Staff:

The Todd Organization fully endorses the extensive concerns and comments that the Association for Life Underwriting (AALU) has raised in several correspondence, including one submitted on August 4, 2006, about the Draft Abstract for EITF No. 06-4, “Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements.”

The Todd Organization is a nationwide provider of executive benefits plans. We serve companies in all major industries throughout the United States, administering 700 corporate plans. In our experience, companies that are instituting endorsement split dollar life insurance are doing so because they view it as a responsible shareholder management action and also a sensible long-term asset liability management action. For the record, The Todd Organization’s Roger Sutton is also the Immediate Past President of AALU.

At a time when many companies are facing rising retirement liabilities and are considering cutting back or eliminating corporate sponsored retirement programs, the net real-world impact of draft abstract would not be productive.

The minimum consequence of adopting EITF Issue No. 06-4 would be to create an additional administrative burden for companies. It might also cause some companies to

decide to not finance executive benefit programs through endorsement split-dollar. This would cause company's net liabilities to rise due to the absence of an offsetting asset, resulting in a worse situation being created than the EITF proposes to solve.

AALU's comments are clear and convincing and should be reiterated. As they note, an employer who enters into an endorsement split-dollar life insurance arrangement should not account, under FAS 106 or APB 12, for any postretirement benefits provided by the policy, provided that neither the policy nor any other arrangement imposes on the employer any obligation to pay the benefits that the insurer has contracted to provide. The employer should account for the acquisition and maintenance of such a policy solely under FASB Technical Bulletin 85-4.

An employer who enters into an endorsement split-dollar life insurance arrangement within the scope of Issue 06-4 does not undertake an obligation meeting the definition of a "liability". If, however, the employer may *arguendo* be viewed as having undertaken a liability, then an endorsement split-dollar policy effectively settles the liability within the meaning of the term "settlement" as FAS 106 defines it. These same conclusions should apply whether an endorsement split-dollar policy requires a single premium or a series of premiums and whether it is participating or nonparticipating.

On behalf of the executive benefits consultants at The Todd Organization and our clients, I ask that you give these comments the strongest possible consideration and that you maintain an active dialogue with AALU on this important matter.

Thank you for your time and consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "David Sprinkle". The signature is written in a cursive, flowing style with a long horizontal stroke at the beginning.

R. David Sprinkle  
President and Chief Executive Officer  
The Todd Organization