

THE PINERIES BANK



LETTER OF COMMENT NO.

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Dear Sirs or Madam: I would like to submit this comment on the above issue as it seems redundant by its very nature. As I prepared to comment on this matter I discussed the matter in detail with my CFO and she could not find any logic in requiring this accrual because the liability perfectly coincides with the receipt of the life insurance benefits after the death of the employee. If your proposal is adopted it will also have significant negative impact in the Tier 1 Capital of thousands of financial institutions across the nation. I am further opposed to the proposed treatment for the following reasons:

1. There is no Employer liability under current arrangements. At no time is there a contractual obligation upon the bank to make such payment until life insurance proceeds are received by the bank.
2. Upon such "death" payment, there is never an economic benefit to the bank. The contract exists between the carrier and the beneficiary.
3. The potential capital impact on the bank to record such liabilities, according to the proposal is effective 1/1/07 and would have a significant negative impact on the balance sheets of the majority of institutions affected.
4. The two most important events, or obligations, in life are that we must pay taxes and that ultimately we will die. This very fact makes a clear point that the carrier will at the proper time make payment to the beneficiary. Where would your agency find logic in asking banks to fund an accrual for an event that has an absolute, guaranteed closure.

This proposal would create artificial liabilities that would never come to fruition. I sincerely encourage the EIT and FASB to step back and have positive discussions with the industry leaders who have created this structure in a manner which benefits everyone fairly. Thank you for your time and consideration in this matter.

Yours very truly,

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