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August 4, 2006



LETTER OF COMMENT NO. 105

Mr. Lawrence W. Smith
Chairman, Emerging Issues Task Force
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Re: File Reference No. EITF0604
EITF Issue 06-4, "Accounting for Deferred Compensation and Post-retirement
Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements"

Dear Mr. Smith:

FTN Financial Group, a division of First Tennessee Bank National Association, Memphis, Tennessee, is a full-service provider of financial products for the investment and banking community. Our established relationships with about 30% of financial institutions nationwide enable us to build resources and distribute critical products and services to help our clients increase profitability and manage risks.

Among the products offered by FTN Financial Group through our affiliate, First Horizon Insurance Services, Inc., are bank owned life insurance ("BOLI") and related non-qualified executive benefit plan services, including endorsement split-dollar plans. In delivering these products and services, we also rely upon strategic alliances we have formed with leading executive benefit consulting firms.

We have been following with interest the deliberations of the EITF as it researched Issue 06-4, and wish to comment on the draft conclusions recommended to FASB. Our comments are offered solely within the context of our experience with assisting our clients with endorsement method split-dollar agreements implemented in conjunction with BOLI purchases. We suspect the Board will receive numerous comments written by those far more qualified than I to address this issue from a technical perspective, so it our hope that the following views will help the Board to understand our concerns purely from a logical perspective.

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In a nutshell, from a practical standpoint we find it difficult to understand why a policyholder should be required to accrue for a liability that is not theirs. The June 12, 2006 letter from the Association for Advanced Life Underwriting (AALU) contained an excellent description of a "typical" endorsement arrangement, including a sample agreement, and we agree with their conclusions. A properly structured split-dollar agreement between an employer (policy owner and primary beneficiary) and an employee (participant) simply "endorses over" a portion of the death proceeds to the participant's named beneficiary (secondary beneficiary) *under the terms and conditions set forth in the participant agreement*. Many times, this is offered as an additional benefit to those employees who have consented to be insured under a transaction with broader corporate business purposes. Once this endorsement is filed with the insurance carrier (and until it is cancelled by either party), in the event of death the insurance company pays the endorsed proceeds *directly to* the secondary beneficiary. Properly structured, these funds will never flow through the owner's books, and the language in the agreement will provide protection to prevent the owner from ever being called upon to pay any portion of said proceeds.

In order to determine the extent (if any) of any liability incurred by the employer, we believe one must make a careful examination of the wording of the split-dollar documents to determine the original intent and structure of the transaction. From our perspective, three key questions should be answered:

- Is there an irrevocable promise *made by the employer* to the participant's beneficiary (with or without the insurance contract)?
- Are there any circumstances under which the employer could be called upon to make payment to the participant's beneficiary?
- Was the policy purchased specifically to provide a benefit to the employee?

If the answer to these questions is "no", then we find it difficult to understand why the employer, not being obligated at any time or under any set of circumstances to pay the post-retirement benefit, should be required to record or accrue a liability.

In conclusion, to require a company to recognize a liability for a payment for which it will never be liable is to require accounting that does not reflect the underlying transaction. Therefore, we urge the FASB not to adopt the proposed consensus for Issue 06-4 as set forth in the Draft Abstract.

Yours sincerely,



Rob Heard
Senior Vice President