



FIRST FEDERAL BANK

OF LOUISIANA



August 4, 2006

LETTER OF COMMENT NO. 107

VIA EMAIL (director@fasb.org)

Director
Financial Accounting Standards Board
Emerging Issues Task Force

RE: EITF0604 – Comment Regarding Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements

To Whom It May Concern:

Our bank owns insurance contracts subject to endorsement-style split dollar arrangements and we respectfully request that you consider our comments as to the accounting issues raised by the EITF. The relevant portion of the EITF's conclusion is stated as follows:

“The Task Force believed that the purchase of an endorsement type policy does not constitute a settlement since the policy does not qualify as non-participating because the policyholders are subject to the favorable and unfavorable experience of the insurance company.”

Our interpretation of FAS 106 does not support this conclusion. We believe that FAS 106 clearly states that a participating insurance policy may also effectively settle a post-retirement benefit obligation, provided certain requirements are met. Our BOLI vendor has informed us that our policies are participating, but that the death benefits are guaranteed even beyond the mortality age of our participants. So, even if the carrier had “unfavorable experience,” the policy guarantees still support the death benefits. The death benefits are paid directly by the insurer to the covered employee's beneficiaries. We believe that this is sufficient to settle the obligation in accordance with the requirements.

We recognize on our accounting records an adjustment to the cash value each month comprised of interest credited and the cost of the insurance. As we understand it, the *interest and expense portions reflect the insurance carriers costs to provide the promised death benefit to the insured's expected mortality age.* Because we are recognizing the income and expense on these assets currently, it seems incorrect to recognize these expenses a second time as the proposal seems to require.

Finally, our employees' beneficiaries are entitled to receive a death benefit only if there is an insurance policy in place at the time of death. If there is no policy, there is no death benefit. If there is a policy, there is a death benefit. It seems that the proposed treatment would require us to accrue for a benefit that we would never under any circumstances be required to pay?

Accordingly, we recommend the FASB not adopt this proposed change in accounting treatment of post-retirement split-dollar, and instead adopt the treatment espoused by the proponents of View B, for the reasons stated in View B, which is the current practice.

Sincerely,

Stephen T. Becnel
Controller