



LETTER OF COMMENT NO. 108

411 North Avenue East · Cranford · New Jersey 07016-2436 · (908) 272-8500 · Fax (908) 272-6626 · Website: www.njleague.com

August 4, 2006

via email director@fasb.org

Attention: Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: "Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-dollar Life Insurance Agreements"

Dear Sir or Madam:

The Accounting & Tax Committee of the New Jersey League of Community Bankers* is appreciative of the efforts of the EITF in addressing the divergent accounting treatment of split-dollar life insurance agreements. The committee, however, *opposes* the tentative conclusion reached in the draft abstract for EITF Issue No. 06-4, issued by the Emerging Issues Task Force (EITF) on July 6, 2006.

A firm that specializes in providing supplemental benefit plans advises us that its client banks purchase a policy on the life of an executive and own 100 percent of the cash-value and death benefits. They then endorse a portion of the death benefit in excess of the cash-value to the insured's named beneficiary. If there is no policy owned by the bank or not enough death benefit in excess of cash-value, there is no death benefit or a reduced death benefit is paid to the insured's beneficiary directly from the life insurance company.

It is our understanding that auditors for many banks that have split-dollar life insurance policies on their books did not instruct them to book a liability for such holdings. The reasoning was that these insurance contracts effectively transfer the primary obligation for payment of benefits from the employer to the insurance company and that this does not result in a meaningful financial liability for the employer. In addition, an employer should not have to record a liability for an amount in which cash will never be expended and then be forced to ultimately reverse that amount as a gain upon the death of the insured. If the EITF's tentative conclusion is ratified by the Financial Accounting Standards Board (FASB), many

* The New Jersey League of Community Bankers, founded in 1908, is a trade association representing 72 of New Jersey's savings banks, savings & loan associations and commercial banks with total assets of over \$85 billion. The League's wholly-owned subsidiary, the Thrift Institutions Community Investment Corporation ("T.I.C.I.C.") assists League members in forming consortia to make loans on low-to-moderate income housing and economic development projects throughout New Jersey. Since its founding in September 1991, T.I.C.I.C. has closed almost \$250 million in loans to create nearly 4,700 units of housing affordable to families, senior citizens and citizens with special needs. In addition, TICIC's loan pipeline will create another 640 residential units to serve the needs of communities throughout the state.

Robert S. Monteith
Chairman
President/CEO
NVE Bank
Englewood, NJ 07631

Herbert L. Hornsby, Jr.
First Vice Chairman
President/CEO
Cape Savings Bank
Cape May Court House, NJ 08210

John H. Wessling, III
Second Vice Chairman
President/CEO
Haven Savings Bank
Hoboken, NJ 07030

James R. Silkensen
President
New Jersey League
of Community Bankers
Cranford, NJ 07016

banks will be faced with a potentially large negative charge to their statements of financial position that could have a significant negative impact on their capital and capital ratios.

If it is determined that the bank should record this liability, then the concurrent recognition of the contingent gain asset associated with the death benefits in excess of the bank's cash value should also be recorded by the bank to reflect the true nature and intent of the transaction.

Thank you for the opportunity to comment on this important matter. I may be contacted at 908.272.8500, ext. 614, if you have any questions or would like to discuss this matter.

Sincerely,

A handwritten signature in cursive script that reads "James Meredith".

James M. Meredith
Executive Vice President