

August 1, 2006



Mr. Lawrence W. Smith  
Chairman of Emerging Issues Task Force  
Financial and Accounting Standards Board  
401 Merritt 7  
Norwalk, Connecticut 06856

LETTER OF COMMENT NO. 103

Re: Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements

Dear Mr. Smith,

There is concern that the variety of split-dollar arrangements has created some basic misconceptions in what we believe to be the "typical" arrangement of endorsement split-dollar arrangements. The abstract points to situations where the insurance company pays the entire balance of death benefits to the bank, or employer. In the abstract version the bank is then liable for the payment to the beneficiary of the bank's late employee. This is not the case in an endorsed split-dollar arrangement. We feel the committee should not vote to ratify the draft until all misconceptions can be cleared up.

This misconception further leads to the belief that the banks may have an obligation to make the death benefit payment, and as such, have incurred a liability to be accrued. Under no circumstances does the bank incur the liability, but it is always the obligation of the insurance company. It does not follow then that the bank should be required to accrue a liability that will never be paid by the bank and that can only create confusion in the accounting statements.

While there is any number of different split-dollar arrangements we suggest that endorsement split-dollar arrangements are clearly covered by current GAAP, and feel that the abstract should be further clarified.

Thank you for the opportunity to share our opinion on this issue with the EITF.

Respectfully

William R. Holmes  
Director of Services  
Arkansas Bankers Association

<i>Serving All Banks In Arkansas Since 1891</i>	
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