



March 23, 2007

Mr. Robert Herz, Chairman
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, Connecticut 06856-5116
UNITED STATES

RE: Business Combinations: Applying the Acquisition Method Accounting for Insurance Contracts Acquired in a Business Combination

Dear Chairman Herz :

ACLI is the principal trade association of life insurance companies, representing 373 member companies that account for 91 percent of total assets, 90 percent of the life insurance premiums and 95 percent of annuity considerations in the United States. GNAIE consists of Chief Financial Officers of leading insurance companies including life insurers, property and casualty insurers, and reinsurers. GNAIE members include companies who are the largest global providers of insurance and substantial multi-national corporations.

Our organizations would like to offer our assistance and respond to some concepts discussed at the FASB meeting on February 13, 2007 regarding "Business Combinations: Applying the Acquisition Method Accounting for Insurance Contracts Acquired in a Business Combination."

During the discussion on Issue 6A in the meeting handout, there were conversations on changing the purchase allocation process for purposes of simplifying the accounting for preparers of financial statements and providing more transparency for users. It was suggested that the deferred acquisition costs ("DAC") of the acquired entity should be carried over to the acquirer's financial statements and the difference between the DAC on the acquired business and the current fair value of the acquired business (known as Value of Business Acquired "VOBA") should be a plug on the acquisition date. Our comments in this letter only relate to life insurance acquisitions.

Since VOBA estimates are reliable and VOBA would still need to be calculated under the proposed method, we believe it would be preferable for companies to replace an acquiree's DAC balance at the acquisition date with the more reliable VOBA estimate. Carrying over the acquiree's DAC and recording a VOBA net of that DAC balance would be more burdensome and may cause theoretical mismatches in the financial statements. While we appreciate the FASB's efforts to find ways to simplify accounting for preparer's of financial statements, we do not believe that carrying over intangible assets from the acquired's financial statements would improve financial reporting for the following reasons:

- The DAC being carried over would have arisen from acquisition expenses incurred by the acquired company, not the acquirer and therefore has no

relevance to the acquirer or to the acquirer's financial statements. Thus, it would overstate the DAC balance on the acquirer's financial statements.

- Similarly, the resulting VOBA on the acquirer's financial statements would be understated relative to the true amount the acquirer paid for the acquired block. VOBA represents the future profits of the acquired business while DAC is the capitalization of costs of selling new business. These different assets should be measured differently. The only commonality is how they are amortized which is irrelevant on the acquisition date.
- The acquirer may have a different accounting policy treatment on how DAC is capitalized and amortized which may alter the remaining amortization after the business combination.
- Carrying over the acquired company's unearned revenue liabilities or deferred sales inducement assets would also produce unusual results for similar reasons as the DAC carryover and therefore overstate such balances. Also, carrying over unearned revenue liabilities may violate certain existing principles noted in EITF 01-3 which disallows carrying over deferred revenue if there are no continuing legal obligations.
- Carrying over the acquired company's DAC would complicate and confuse, rather than simplify, the accounting for users and preparers. The result would be instead of having one intangible asset at fair value on the acquisition date; acquirers would end up with several intangibles at something other than fair value. These complications (from carrying over the acquired company's DAC) would be further exacerbated by whether a contract's original inception date rather than the acquisition date should be used in making retrospective adjustments after the issue date and for internal replacements. Consideration should be given to the fact that the acquirer was not a party to the insurance contract until the acquisition date. The profits that emerged prior to the acquisition date that would form the basis of such retrospective adjustments could cause distortion to the acquirer's financial statements.

For the reasons noted above, the FASB Board should be hesitant in developing accounting principles that would carry over DAC or any other intangible asset from the acquired company to the acquirer in a business combination.

In addition to the points raised above, we also have a few comments relating to FASB Action Alerts which is relevant to this discussion.

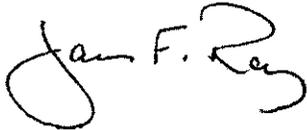
Firstly, item 5 in FASB Action Alert No. 07-08 summarizing the Board decisions notes that the fair value intangible should only be adjusted for amortization and impairment. While we agree with this decision for short-duration contracts, it is important to note that for long duration insurance contracts, the intangible is a present value calculation and therefore, includes an interest accretion adjustment in addition to amortization and impairments.

Secondly, in the action alert we noted that the Board requested staff to perform additional research on 3 issues. With further details on these issues, we would be pleased to offer information and our views to the Board and staff. We do believe, consistent with the FASB discussions, that gross presentation of an insurance intangible and reserves is appropriate and

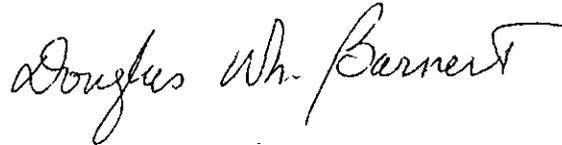
provides more useful information to financial statement users than presenting an intangible as part of reserves.

If you have any questions regarding the contents of this letter, please contact Paul Stephen at pstephen@metlife.com or (212) 578-5972. Thank you in advance for your consideration in this matter.

Sincerely,



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cc: G. Michael Crooch, FASB