



March 2, 2009

Mr. Russell Golden Financial Accounting Standards Board 401 Merritt 7 P. O. Box 5116 Norwalk, CT 06856-5116



Re: File Reference: Proposed FSP FAS 107-b and APB 28-1

Dear Mr. Golden:

The American Council of Life Insurers¹ (ACLI) and the Group of North American Insurance Enterprises² (GNAIE) appreciate the opportunity to comment on the proposed FASB Staff Position (FSP), *Disclosures* about Certain Financial Assets: An Amendment of FASB Statement No. 107 ("FSP FAS 107-b").

The ACLI and GNAIE appreciate the commitment of the FASB to address concerns that have been raised about the various measurement attributes used for financial instruments on a long-term basis through its joint project with the IASB to address financial reporting complexities.

With respect to FSP FAS 107-b, while we believe that disclosures are certainly useful tools that can provide much needed explanation and data to assist financial statement users, we believe that applying year end fair value disclosures to interim financials should not be considered to be an alternative to enhancements to fair value accounting principles needed to address the concerns associated with current accounting guidance. We believe that changes to current accounting guidance within Accounting for Certain Investments in Debt and Equity Securities ("FAS 115") and Fair Value Measurements ("FAS 157") would make GAAP financials more representationally faithful.

With respect to enhancements to fair value principles, we believe that the Board should focus primarily on:

 Recognition of other than temporary impairment considers an entity's ability and intent to hold a debt security until it recovers. The prudent management of life insurance companies requires that asset portfolios be matched to expected liability cash flows. Accordingly, we believe life insurers should be provided the opportunity to effectively assert an intent and ability to hold impaired assets to recovery subject to unanticipated liquidity needs associated with corresponding liabilities, reaction to which would not taint the asserted intent for unaffected assets.

¹ The American Council of Life Insurers represents 340 member companies operating in the United States, of which 332 are legal reserve life insurance companies, and 8 are fraternal benefit societies. These member companies account for 93% of total life insurance company assets, 94% of the life insurance premiums, and 94% of annuity considerations in the United States.

²GNAIE consists of leading insurance companies including life insurers, property and casualty ("non-life") insurers, and reinsurers. GNAIE members include companies who are among the largest global providers of insurance and substantial multi-national corporations. All are major participants in the US markets.

2. FAS 115 requires securities within its scope designated as available-for-sale to be measured at fair value as defined in FAS 157. Neither FAS 115 nor FAS 157 provides limitations or other guidance around the measurement of AFS securities in markets that are illiquid, inactive, or otherwise not orderly. As a result, the resulting fair values of AFS securities associated with markets that are illiquid, inactive, or otherwise not orderly, are in our opinion not rational valuations and indicate losses in excess of those reasonably anticipated to emerge over the life of the securities.

These issues, plus the general decline in corporate bond prices, have resulted in serious reductions in insurance companies' GAAP equity at the end of the year 2008.

In conclusion, we believe the proposed disclosure guidance in FSP FAS 107-b does not address the principal concerns arising from the effects of the ongoing worldwide financial crisis relating to the accounting for financial instruments. We would suggest that the FASB focus more attention on the Fair Value Project, instead of attempting a patchwork of short-term fixes. We do not believe that requiring disclosures in interim financial statements without adequately implementing enhancements to fair value accounting is appropriate at this time. The basic financial statements should provide the best information available to investors, regulators and analysts. Therefore, we continue to recommend that the Board focus on implementing changes to FAS 115 and/or FAS 157 instead of devising interim disclosures.

We appreciate this opportunity to offer our comments and recommendations to the FASB and would be happy to discuss these recommendations in more detail.

Sincerely,

Michael M. Monahan

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Director, ACLI Accounting Policy

Douglas Wm. Barnert Executive Director

Group of North American Insurance Enterprises

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