



LETTER OF COMMENT NO. 73

August 3, 2006

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:

We are aware that the EITF is proposing a radical change to accounting for split-dollar life insurance benefits under endorsement-style arrangements. As a bank with Bank-Owned Life Insurance (BOLI) and endorsement split-dollar arrangements, we are concerned about the impact this will have on our bank and its benefit plans, not to mention the reduction in retained earnings if we choose to retain these plans. Accordingly, we submit the following comment for your consideration.

The relevant portion of the EITF's conclusion is stated as follows:

“The Task Force believed that the purchase of an endorsement type policy (sic) 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 own reading of FAS 106 does not support this conclusion. In fact, FAS 106 clearly states that a participating insurance policy may also effectively settle a post-retirement benefit obligation, provided certain requirements are met. Our policies are participating and 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. We believe that that this effectively settles the split-dollar agreements' obligations.

Moreover, each month we track the interest credited, as well as the costs of insurance – which is an expense we recognize – relative to our BOLI assets. As we understand it, these interest and expense amounts 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, why must we also recognize these expenses a second time to accommodate this new accounting change?

Finally, when we first put this plan in place, it was our understanding, and our documents reflect this understanding, that our employees' beneficiaries would only receive a death benefit if there was 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. Why would the bank, under these proposed accounting changes, essentially be required to accrue for a benefit that it never, under any circumstances, would be required to pay?

Accordingly, Evans National Bank recommends 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,

A handwritten signature in black ink, appearing to read "Mark DeBacker". The signature is written in a cursive style with a large, stylized initial "M".

Mark DeBacker
Senior Vice President and Chief Financial Officer