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LETTER OF COMMENT NO. 321

January 15, 2009

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

Re: File Reference: Proposed FSP FAS 107-a

Dear Mr. Golden:

The American Council of Life Insurers ("ACLI") appreciates 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-a"). The ACLI represents three hundred fifty-three (353) member companies operating in the United States, of which three hundred forty-five (345) are legal reserve life insurance companies, and eight (8) are fraternal benefit societies. These 353 member companies account for 93 percent of total assets, 93 percent of the life insurance premiums, and 94 percent of annuity considerations in the United States.

The ACLI appreciates the commitment of the FASB to address concerns that have been raised about the various measurement attributes used for financial instruments on both a long-term basis through its joint project with the IASB to address financial reporting complexities as well as the interim approach put forth in the proposed FSP. While we believe that disclosure is certainly a useful tool that can provide much needed explanation and data to assist financial statement users, it should not be used as a replacement for adequately implementing the accounting changes required to address the concerns associated with current accounting guidance. We believe that changes to current accounting guidance within FAS 115 would provide for meaningful accounting changes that can be quickly implemented. We believe that the Board should focus primarily on replacing the intent and ability trigger for other than temporary impairment on securities with objective evidence of a credit event and improving the provisions of FAS 115 to provide for further use of the held to maturity (HTM) category for cash flow investors. These should be done in addition to the recently issued guidance *EITF 99-20-1, Amendments to the Impairment Guidance of EITF Issue No. 99-20*.

Should the Board choose to proceed with the proposed disclosure changes, we would like to offer our comments in three specific areas that we believe would provide more meaningful information to financial statement users:

1. The scope of the disclosure requirements;
2. The pro forma income statement disclosures; and
3. The effective date and transition

The Scope of the Disclosure Requirements

We believe that the scope of the disclosure requirements as currently drafted does not provide meaningful information to financial statement users. By including the entire population of debt securities classified as held-to-maturity and available-for-sale, as well as loans and receivables, we

believe that the intended purpose of the disclosure to highlight the measurement differences that the company believes exists for securities trading in illiquid markets will not be prominent in the disclosure. We recommend that the disclosure instead apply to those financial assets that have been other-than-temporarily impaired during the period. Illustrating the differences between the fair value and the incurred loss value for this population of securities will provide financial statement users with more meaningful information about the company's assessment of assets for which it recorded write-downs during the period.

The Pro forma Income Statement Disclosures

We do not believe that the proposed pro forma profit disclosures will provide meaningful information to users of financial statements. Furthermore, they will create misleading information by disclosing a pro forma profit based on incurred loss amount for assets, which are not accounted for on an incurred impairment measurement basis. The inclusion of required alternative profit information on different measurement bases to be disclosed in the notes to the financials would be confusing to users, allowing them to select their preferred profit figure.

Some insurers apply "shadow accounting", as permitted by FASB Statement No 115, to match the recognition of unrealized gains and losses on AFS assets with the related effects on policyholder liability valuations and deferred acquisition costs. It is unclear to us if the pro forma profit disclosures would include this adjustment or if the disclosure is intended to illustrate a single line item adjustment for the change in fair value or incurred loss. To the extent that the proposed pro forma profit figures do not reflect the necessary adjustments for "shadow accounting" would similarly be misleading.

We believe that confusion may also exist with the concept of "effective interest rate" as currently described in the FSP. The FSP does not specify whether the effective interest rate may be interpreted to be a current interest rate or the original yield on the security, and we believe that this may also lead to results that are misleading. Therefore, we recommend that the FASB remove the pro forma profit disclosures from the disclosures required by this guidance.

The Effective Date and Transition

We believe that the disclosures outlined in the FSP are consistent with the recommendations made by the SEC's Division of Corporation Finance illustrative letters ("Dear CFO" letters) issued earlier in 2008 to certain financial institutions. The recommendations outlined in the Dear CFO letters centered around various disclosures related to fair value for consideration in the companies' MD&A filings. We believe that the disclosures outlined in the FSP, consistent with those recommendations outlined by the SEC, are more appropriate in MD&A rather than the financial statement footnotes.

However, we acknowledge that the need for this guidance from the FASB exists. We believe that requiring these disclosures for all public and non-public entities for calendar year-end December 31, 2008 reporting, however, may present operational and internal control challenges from smaller companies or nonpublic entities lacking the investment system sophistication to produce the required information timely. We therefore recommend that the proposed guidance be effective for interim and annual reporting periods ending after December 15, 2009, with early adoption encouraged. We believe that permitting those companies with the ability to produce this information within the Sarbanes-Oxley internal control environment required for external audit purposes to adopt this guidance as of December 31, 2008 while also availing other companies of the option to defer until procedures can be put in place to ensure the information is accurate and verifiable would ultimately provide for improved financial statement disclosure.

In conclusion, we believe that this proposed guidance does not adequately and sufficiently address the concerns that have arisen from the current financial crisis relating to the accounting for financial instruments. We do not believe that these disclosures provide an adequate alternative to providing a meaningful accounting change for December 31, 2008 financial reporting. 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 for year-end reporting instead of increased disclosures. Should the Board continue with its plan for enhanced disclosure requirements, we believe that these disclosures should be limited to only those securities which have been other-than-temporarily impaired, exclude the pro forma profit disclosures, and be effective for interim and annual reporting periods ending after December 15, 2009, with early adoption encouraged.

We appreciate this opportunity to offer our comments and recommendations to the FASB. I would be happy to discuss these recommendations in more detail or address any questions you may have at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "M. Monahan", written in a cursive style.

Michael M. Monahan
Director, Accounting Policy