



December 8, 2008

LETTER OF COMMENT NO. 11

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

**Re: File Reference No. 1640-100
Proposed Statement of Financial Accounting Standards, "Subsequent Events"**

Dear Mr. Golden:

We write today on behalf of the undersigned trade associations, representing health and property-casualty companies that collectively provide benefits and coverage to more than 200 million Americans. We appreciate this opportunity to provide comment to the Financial Accounting Standards Board (FASB) on its October 9, 2008 Exposure Draft (ED) of a proposed Statement of Financial Accounting Standards (SFAS) on Subsequent Events.

We recognize that FASB's main intent in issuing the ED is to codify within the accounting literature much of the existing guidance on subsequent events from the auditing literature, particularly AU Section 560, while at the same time preserving existing guidance within other applicable GAAP that may depart from the general principles of AU Section 560. As such, FASB believes that the issuance of this new SFAS would not create "any significant change in financial reporting" or "impose any significant costs on its constituents" (quoting from paragraph A14 of the ED).

We suspect that, in practice, the inclusion of subsequent events guidance modeled after AU Section 560 within the accounting literature is likely to elevate the visibility of this issue within the preparer community. In this context, we believe it is important that the new SFAS not only contain a general scope exception for other applicable GAAP, as

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proposed in paragraphs 2-3 of the ED, but also be explicit about the nature of such scope exceptions in order to minimize the potential for confusion. Several different examples of scope exceptions are explicitly listed within the ED, particularly on pages 11-12 in the proposed revisions to Codification paragraph 855-10-15-4. Even though those examples are intended to be “not collectively exhaustive” (quoting from page 11 of the ED), the absence of a relevant example from that list could raise doubts as to whether or not a scope exception from the proposed SFAS was intended.

From the perspective of the property-casualty and health insurance industries, there is one extremely important exception to the proposed subsequent events guidance that is found in existing GAAP but is not referenced within the ED, namely Codification paragraph 944-40-35-1. This paragraph, which originally resided within paragraph 18 of SFAS 60, reads as follows:

“Changes in estimates of claim costs resulting from the continuous review process and differences between estimates and payments for claims shall be recognized in income of the period in which the estimates are changed or payments are made.”

The issue here relates to the insurer’s estimate of the liability for unpaid claims under short-duration SFAS 60 contracts, such as property and liability, medical, dental, or drug insurance contracts, which will typically be one of the largest items on the liability side of a property-casualty or health insurer’s balance sheet.

The unpaid claim liabilities recorded in the insurer’s financial statements are estimates, based on significant amounts of analysis performed by the insurer’s actuaries. Under common practice, the liability estimate recorded on the December 31, 20X0 financial statement is based on actuarial analysis of claim payments made on or before December 31, 20X0. By the time the insurer’s December 31, 20X0 financial statement is ready for issuance, in (say) late February 20X1, the insurer may have a revised estimate of its unpaid claim liability as of December 31, 20X0 that takes into account the actual claim payments made during the month of January 20X1. However, in light of the language quoted above, the insurer would not reflect its revised estimate of the liability within its December 31, 20X0 financial statement, but would instead recognize the impact of the revised estimate as part of 20X1 income. We firmly believe that this is the only practical financial reporting approach, in light of the complexity of the liability estimation process and the speed with which insurance claims are paid.

As such, for purposes of clarity, we would ask that the following language be added to the proposed amendments to Codification paragraph 855-10-15-4, as a new subparagraph f:

“f. Liabilities for Unpaid Claims for Insurance Contracts—See paragraph 944-40-35-1 for guidance on changes in the liability estimate after the balance sheet date based on claim payments made after the balance sheet date.”

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Thank you for your consideration of these comments. We would be happy to engage in further dialogue with FASB regarding this issue.

Sincerely,

/s/

Randi Reichel
America's Health Insurance Plans

/s/

William Boyd
National Assn of Mutual Ins Companies

/s/

Brad Lubrant
Blue Cross Blue Shield Association

/s/

James Olsen
Property Casualty Insurers Assn of America

/s/

Philip Carson
American Insurance Association