CITIZENS-UNION SAVINGS BANK



August 2, 2006

LETTER OF COMMENT NO. 78

VIA EMAIL (director@fasb.org)

Mr. Lawrence W. Smith Chairman of Emerging Issues Task Force Financial Accounting Standards Board 401 Merritt 7 Norwalk, Connecticut 06856-5116

RE: EITF0604 - Comment Regarding Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements

Dear Mr. Smith.

Citizens-Union Savings Bank appreciates the opportunity to comment on the EITF Issue 06-4, "Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements". Citizens-Union Savings Bank (the "Bank") is a Massachusetts chartered bank that serves the financial needs of the Greater Fall River and New Bedford communities in Southeastern Massachusetts. The Bank had total assets of \$561 million as of June 30, 2006 with approximately \$10 million in bank-owned life insurance.

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. Citizens-Union Savings Bank objects strenuously to this proposal and would submit the following comments and observations for your consideration.

We are informed that the EITF is proposing a radical change to accounting for split-dollar life insurance benefits under endorsement-style arrangements. The EITF is proposing to require an accrual during an employee's or director's service period for any post-retirement benefit promised under a split-dollar arrangement. The EITF believes 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 postretirement benefit obligation, provided certain requirements are met. Our BOLI vendor informs us that our policies are participating, but that the 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 and settles the obligation.

Moreover, each month our BOLI vendor supplies us with asset accounting information that shows the interest credited, as well as the costs of insurance which we recognize as an expense relative to our BOLI assets. As we understand it, the interest and expense portions of these reports reflect the insurance carriers' costs to provide the promised death benefit to the insured's expected mortality age. We are recognizing the income and expense on these assets currently and would also be required to recognize an expense 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' and directors' 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. Under these proposed accounting changes, we would essentially be required to accrue for a benefit that we would, under any circumstances, be required to pay.

Our suggestion is that the FASB not adopt this proposed change in accounting treatment. Rather, we suggest they adopt View B, and we endorse the reasoning of the View B proponents. We are at a loss to understand how an insurance policy with guaranteed death benefit coverage past mortality age should require an accrual, especially if the split-dollar agreement does not promise a benefit if the policy is not in place at the time of death.

Sincerely,

James F. Wallace Senior Vice President & CFO