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LETTER OF COMMENT NO. 52

Technical Director – File Reference No. 1530-100 Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116

Re: Exposure Draft: Accounting for Financial Guarantee Insurance Contracts

Dear Technical Director:

The American Council of Life Insurers (ACLI) appreciates the opportunity to offer our views on the FASB exposure draft Accounting for Financial Guarantee Insurance Contracts an interpretation of FASB Statement No. 60. The ACLI is the principal trade association of life insurance companies, representing 373 members that account for, in the aggregate, 93 percent of the total assets, 91 percent of the life insurance premiums, and 95 percent of annuity considerations in the United States.

We agree that eliminating the diversity in practice that currently exists in the accounting for financial guarantee insurance contracts will require clarification of the principles for revenue recognition and claim liability measurement. While the Exposure Draft provides additional information in these areas, we believe that the proposed guidance goes beyond interpretation and that elements of a new accounting model are introduced e.g., the inclusion of the policyholder's credit standing when measuring premium and the measurement of the claim liability, taking into account the risk-free rate adjusted for the credit standing of the insurance enterprise. In addition, the guidance could result in a mismatch between premium and claim recognition, which is inconsistent with the principles of FASB Statement No. 60.

If the Board decides to move forward with guidance for financial guarantee contracts, we offer the following comments. We do not believe that the adjusted risk-free rate is the appropriate discount rate when discounting claims liabilities. Introducing such a change would be a material departure from the current guidance of SFAS No. 60, which requires the use of the investment yield method – paragraph 22 of the guidance.

If the final standard is issued in the third quarter, the effective date of December 15, 2007 is too short a time for appropriate parties to implement. We would recommend a 2008 effective date in order to ensure proper implementation of any decision.

Thank you for the opportunity to provide these comments. Should you have any questions or wish to discuss our concerns in greater detail, please feel free to contact us.

Sincerely,

Paul S. Graham III

Vice President, Insurance Regulation and

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