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February 11, 2010

Technical Director
FASB
401 Merritt 7
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Re: File Reference No. EITF090G

Aflac welcomes the opportunity to share with you our views regarding EITF 09-G, *Clarification of the Definition of Deferred Acquisition Costs of Insurance Entities* (EITF). Aflac appreciates the efforts of the FASB to address the diversity in practice regarding the current accounting for deferred acquisition costs (DAC). However, we are concerned with the timing of the development of this EITF given the fundamental changes to DAC that are being considered as part of a joint FASB and IASB project on insurance contracts. Below we offer our general comments in response to the proposed EITF and provide specific feedback relative to the questions posed to respondents in the EITF.

Aflac sells supplemental insurance products in the US and Japan and is the world's leading underwriter of individually issued policies marketed at worksites.

General Comments

We have significant reservations about timing of this proposal in such close proximity to a complete overhaul of the accounting for insurance contracts. The effective date of this proposed EITF beginning with fiscal years after December 2010 will be closely followed with major changes to the measurement of insurance contracts resulting from the expected completion of the insurance contracts standard in 2011. While the final insurance contracts standard is expected to be effective in 2014, we understand that the implementation of the insurance standard will require retroactive restatement back to 2011. Given the timing overlap between these standards, we believe that layering in two changes in a short period of time will only add confusion to the reporting of results for insurance companies. This is especially true given the radical changes expected with the convergence with and adoption of international financial reporting standards for insurance contracts. We believe that any reconsideration of the concepts brought forth in this EITF should be incorporated into the joint insurance contracts project rather than issuing an interim standard.

We believe that the changes proposed in the EITF could significantly impact the current accounting for DAC by narrowing the definition of costs that qualify for deferral. The proposed definition, “directly related to the successful acquisition” is narrower than the current definition of “vary with and are primarily related to,” thereby causing a significant change in accounting practice for the industry. We believe that the current capitalization model is working effectively and best reflects the allocation of the upfront costs that are recovered over time as revenue is received.

On a relative basis, we believe the current capitalization model will result in a larger DAC asset than the proposed model. The DAC asset, while larger, is subject to a recoverability test since a company is prohibited from deferring costs if there are insufficient gross premiums to recover those costs.

In accordance with current guidance, companies make decisions regarding the costs to defer based on how the expense is directly related to the acquisition of new business rather than simply the type of expense. While there may be “diversity in practice”, we believe that the difference in treatment of certain expenses comes from differences in how companies acquire business rather than driven from a flaw in the accounting model. A narrower definition will not eliminate diversity in practice due to differences that will inevitably result from different interpretations, different business models, and the need for management to exercise judgment.

Response to Questions for Respondents

Question 1: The amendments in this proposed Update would revise the definition of an acquisition cost of an insurance entity to be costs that are directly related to the acquisition of new and renewal contracts and include those costs that are (1) incremental direct costs of contract acquisition and (2) directly related to specific activities performed by the insurer for the contract.

- a. Do you agree with this conclusion? If not, what criteria do you think should be used as the basis for capitalization of acquisition-related costs?*
- b. Is the proposed guidance operational or is further guidance necessary to implement the proposed guidance?*

Response:

a. We disagree with a narrower definition of capitalizable costs. We believe that the narrower definition will not eliminate diversity in practice since the definition is subject to varying interpretation. The existing criteria, “varies with and primarily related to,” has been an operational and effective basis for capitalization of acquisition costs because it appropriately allows for companies to apply a principle that captures the costs they incur to acquire business for which they will receive a future revenue stream.

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b. We do not find the proposed guidance to be operational and more clarification is needed. See Question 2 below.

Question 2: Do you agree that for a cost to meet the definition of a deferred acquisition cost, it must relate to successful efforts (that is, a new or renewal contract)? Please provide the reasons for your view.

Response: We disagree. Insurance entities consider the entire expense, successful and unsuccessful, related to the generation of business as an acquisition cost because the entire costs are incurred in order to acquire the business. For example, a company needs an underwriting department of a certain size to handle a certain level of volume of contracts. Some of the contracts will be acquired but others will not. Furthermore, insurance companies explicitly price the products based on the entire expected costs incurred for both successful and unsuccessful activities related to acquiring contracts and receive that compensation over the life of the contract.

Question 3: Do you agree with the amendments in this proposed update that specify that advertising costs incurred by insurance entities should not be included as part of deferred acquisition costs, but, rather, should follow the guidance for advertising in Topic 720 or Subtopic 340-20, as applicable? Please provide the reasons for your view.

Response: We agree.

Question 4: Do you expect to incur significant costs as a result of the amendments in this proposed Update? If so, please be specific about the nature of the costs you expect to incur.

Response: We believe that the definitional changes are substantial compared to current practice and would result in insurance entities incurring significant implementation costs. Most insurance companies' systems are not equipped to capture costs in a manner that would isolate successful efforts from unsuccessful efforts. Changes to existing systems would be costly, and, as we have discussed above, we believe that these changes would add little benefit to the financial statements especially given the significant changes being contemplated with the joint project on insurance contracts.

Additionally, historical records for successful efforts and other proposed definitional changes may not exist, thereby making retrospective adoption impractical. Prospective application therefore will be the only approach available to most insurers for adoption of the proposed changes. Adopting prospectively will make life insurance companies' financial statements less useful as prior deferrals continue to amortize at historical levels while current period amounts would be deferred based on the new guidance.

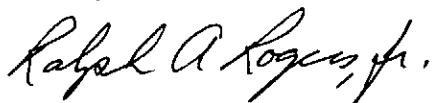
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Question 5: Do you believe that the proposed effective date is operational? Please provide the reasons for your review.

Response: As stated in our general comments, we believe that the proposed effective date of years beginning after December 15, 2010 is not operational given its proximity to the implementation of the forthcoming insurance contracts standard and the extensive system changes that would be required.

Aflac appreciates the opportunity to comment on the exposure draft.

Sincerely,

A handwritten signature in cursive script that reads "Ralph A. Rogers, Jr.".

Ralph A. Rogers, Jr.