



February 12, 2010

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

Re: Proposed Accounting Standards Update: Financial Services—Insurance (Topic 944)

- Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts (A Consensus of the FASB Emerging Issues Task Force)

File Reference No. EITF090G

Dear Technical Director:

Transamerica Life Insurance Company appreciates the opportunity to comment on proposed Accounting Standards Update, Financial Services—Insurance (Topic 944): Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts (the "ASU"). We have significant reservations about the impact and timing of this ASU and ask that the FASB refrain from issuing this guidance at the present time.

We believe that the Board's efforts should remain focused on deliberating issues within the joint insurance contracts project rather than issuing a limited scope interim standard that is not convergent with IFRS and presents significant implementation challenges. We are concerned that the implementation of the proposed ASU will overlap with the implementation of the forthcoming standard on insurance contracts, creating a significant burden on insurance company resources. Under the current timeline, the insurance contracts standard is expected to be effective in 2014, but would require retrospective application back to 2011 in order to show three comparative periods at the effective date. Therefore, results for 2011 would be reported using the requirements of the new ASU and then be restated for the new converged standard on insurance contracts. Significant changes in reporting during a short time period can only add to user confusion. Significant process changes would be necessary to track costs associated with successful acquisition efforts and to ensure that only the component costs outlined in the ASU are deferred. We do not feel the changes required by the proposed ASU will improve the quality or usefulness of the financial statements enough to warrant the costs to comply and are overly burdensome for an interim solution.

We agree that general advertising costs, such as brand recognition and sponsorships, are period expenses and should be expensed as incurred. Direct response advertising costs,

however, should continue to be considered acquisition costs when they are incurred solely to solicit customers to purchase insurance contracts as they are typically incurred in place of agent commissions. The accounting for direct response advertising should be consistent with the treatment of non-level agent commissions, which are deferred and amortized over the life of the insurance contract. Direct response marketing of insurance contracts differs from other industries in that insurance contracts are typically longer in duration and insurance companies are limited to the amount of capitalized costs they can carry on their balance sheets by the current recoverability requirements in section 944-60-30 (Financial Services—Insurance / Premium Deficiency and Loss Recognition / Initial Measurement).

It is our understanding that the intention of this ASU is to reduce diversity in practice of capitalized acquisition costs between insurance companies by providing more prescriptive guidance on costs that can be considered for deferral. We believe that the current diversity appropriately reflects differing business models and a result of ambiguity in the current guidance. Insurers currently apply the principles of section 944-30-30 (Financial Services-Insurance / Acquisition Costs / Initial Measurement) to their unique marketing methods and business practices to properly match expenses with future revenues. The approach described in this ASU does not allow deferral of all internal costs required to acquire insurance contracts, which would create significant differences between companies that perform acquisition functions internally compared to those companies who outsource the same functions. Many internal costs, such as computer systems, are significant to the policy acquisition process but are excluded from deferral in the proposal. Vendors price their services to include the recovery of all costs. Fully loaded charges from a vendor would be deferrable under the proposed ASU but the same component costs of those functions performed internally would not be considered deferrable. In this instance, the company that outsources will defer significantly more costs creating diversity in the financial results of the two entities. We do not feel that accounting guidance should drive operational decisions but should consistently reflect the economic decisions of a company. The disproportional financial reporting benefits provided in this guidance may drive operational decisions to outsource, even if the overall total cost to do so is higher than maintaining internal resources.

We do not agree that the costs eligible for deferral should be limited to only those related to successful acquisition of an insurance contract. Insurance companies must incur a variety of costs related to the acquisition of insurance contracts. For example, the cost of an insurance company's underwriting department includes costs relating to the insurer's process of evaluating policyholders in order to select those policies that meet the risk criteria a company is willing to insure. Some applications will result in successful contracts, while others will not; however, such costs would not be incurred if the company were not actively engaged in the process of issuing new business. For this reason, insurance companies price their products based on the total costs incurred for both successful and unsuccessful activities related to acquiring contracts. The proposed definition of deferrable costs fails to recognize this dynamic. In the broader scope, insurance companies can, and do, vary staffing levels in conjunction with marketing

success rates, thereby making these functional costs ultimately variable with the level of contracts acquired.

We thank you for the opportunity to provide our comments on the proposed ASU and would be pleased to discuss them further at your convenience.

Sincerely,

James D. Purvis

Vice President and Corporate Controller