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Ms. Leslie Seidman, Chairman Financial Accounting Standards Board 401 Merritt 7 PO Box 5116 Norwalk, CT 06856-5116

Mr. James L. Kroeker Chief Accountant Office of the Chief Accountant Securities and Exchange Commission 100 F Street, NE Washington, DC 20549-1090

Re: ASU Topic 2010-26: Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts

Dear Chairman Seidman and Mr. Kroeker:

The American Council of Life Insurers (ACLI)¹ appreciates the opportunity to provide the FASB with our comments pertaining to ASU Topic 2010-26, *Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts*.

We understand that the FASB has reached final conclusions on the deferred acquisition costs guidance and we respectfully request that they consider again ACLI's views regarding the effective date of this guidance. Specifically, ACLI recommends that the FASB continues to work closely with IASB to achieve convergence in the definition of acquisition costs. Further, while those discussions are occurring, ACLI requests a deferral of ASU 2010-26 until 1/1/2013, with the exception of the conclusion on general advertising, which should remain effective as of 1/1/2012, as noted below.

We continue to support the FASB and the IASB in their efforts to reach a high quality, converged accounting standard for insurance contracts. Furthermore, we encourage the Boards to continue the work to achieve convergence in the definition of acquisition costs that are deferred or included in the measurement of the insurance liability. We believe the Boards are close to convergence; however differences still remain. Specifically, the IASB considers acquisition costs as incremental, direct and

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¹ The American Council of Life Insurers represents more than 300 legal reserve life insurer and fraternal benefit society member companies operating in the United States. These member companies represent over 90% of the assets and premiums of the U.S. life insurance and annuity industry.

indirect costs at the portfolio level for both successful and unsuccessful efforts to be included in the measurement of the insurance liability, while the FASB considers only incremental and direct costs at the portfolio level for successful efforts to be included in the insurance liability measurement.

With a current effective date for ASU 2010-26 of 1/1/2012 for calendar year-end entities and an effective date of the IASB ED expected in 2015, companies will be faced with the challenge of implementing changes to their deferral methods twice in a very short period of time. We believe that multiple changes to deferral practices will create confusion and added complexities for users of financial statements trying to understand insurers' results, and the best solution is to implement a single, internationally converged definition of acquisition costs. Further, ASU 2010-26 has been a very challenging standard to implement, as noted by the many issues and questions that have been raised. As varying interpretations may result, the consequence may be reduced comparability among companies.

This ASU resulted because of the diversity in practice related to the interpretation of which costs qualified for deferral – specifically whether advertising costs meet the definition of acquisition costs. ASU 2010-26 concludes that advertising costs should be included in deferred acquisition costs only if the capitalization criteria in the direct-response advertising guidance in Subtopic 340-20, *Other Assets and Deferred Costs – Capitalized Advertising Costs*, are met. If the capitalization criteria are not met, advertising costs should be expensed per the guidance in Subtopic 720-35, *Other Expenses – Advertising Costs*. We agree with that guidance.

Therefore, ACLI recommends that the FASB and the IASB continue to work closely to achieve convergence in the definition of acquisition costs that are deferred or included in the measurement of the insurance liability and defer ASU 2010-26 for one year. However, as noted above, we agree that general advertising costs should be expensed and that portion of ASU 2010-26 be retained and effective 1/1/2012.

Sincerely,

Michael Monahan

Director, Accounting Policy