

Michael Monahan Senior Director, Accounting Policy

October 15, 2012

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

Re:

Proposed Accounting Standards Update, Presentation of Items Reclassified Out of Accumulated Other Comprehensive Income – Comprehensive Income (Topic 220) - File Reference No. 2012-240

Dear Ms. Cosper:

We appreciate the opportunity to comment on the "Presentation of Items Reclassified Out of Accumulated Other Comprehensive Income – Comprehensive Income (Topic 220) – Exposure Draft," ("ED") issued August 16, 2012. The American Council of Life Insurers ("ACLI") represents more than 300 legal reserve life insurer and fraternal benefit society member companies operating in the United States. Our member companies represent over 90 percent of the assets and premiums of the U.S life insurance and annuity industry. The following represents our general comments and answers to the ED questions for preparers of financial statements.

We support the Board's efforts to improve the presentation of amounts reclassified out of accumulated other comprehensive income (AOCI) by disclosing their effect on the respective line items in net income in a single footnote to the extent the item reclassified is required under U.S. GAAP to be reclassified to net income in its entirety. We believe the proposed amendments would improve the presentation requirements without imposing significant costs to financial statement preparers.

We commend the Board for reaching out to the members of life insurance industry prior to their deliberations. This was a necessary step in order to gain a more complete understanding of the unique accounting and operational issues with respect to changes in unrealized gains and losses on available-for-sale securities held by life insurance companies, in particular, the changes associated with direct adjustments made to deferred acquisition costs (DAC), certain intangible assets, and policy liabilities necessary to reflect these balances as if such unrealized gains and losses were realized, commonly referred to as "shadow adjustments".

As a result of this outreach, combined with outreach to users of insurance company financial statements, the Board arrived at a decision to exclude "shadow adjustments" from the "amounts reclassified out of AOCI", with the additional requirement to cross-reference to the applicable financial statement notes where these "shadow adjustments" are disclosed. We agree that this outcome results in the most relevant and useful information for financial statement users, and clearly demonstrates the

Board's commitment to effectively weigh the costs and benefits from both a preparer and user perspective prior to reaching a decision.

Lastly, we believe it is most practicable for the new disclosures outlined in the ED to be effective with the following dates: For public entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2012. For nonpublic entities, the amendments are effective for fiscal years ending after December 15, 2013. In both cases, early adoption would be allowed. The information obtained by the Board from users during the outreach process indicates that the information provided by the proposed disclosures will be helpful, but not critical, as the disclosures as outlined in the ED are already included in other financial statement footnotes under current U.S. GAAP. Therefore, the need to immediately incorporate the proposed consolidated tabular disclosures seems less critical. Even though most of the disclosures outlined in the ED are already included in other financial statement footnotes under current U.S. GAAP, as a practical matter, it will take time to incorporate them into the year-end financial statement drafting process, which, for most calendar year-end companies, is already underway. It will also take time and resources to build the appropriate processes and controls for the new disclosures, including obtaining the appropriate level of management and audit committee review.

The following Appendix provides answers to the specific ED questions for respondents.

Sincerely,

Michael Monahan

Monahan

Senior Director, Accounting Policy

APPENDIX QUESTIONS FOR RESPONDENTS

Question 1: The proposed amendments would require an entity to provide enhanced disclosures to present separately by component reclassifications out of accumulated other comprehensive income. In addition, an entity would be required to provide a tabular disclosure of the effect of items reclassified out of accumulated other comprehensive income on the respective line items of net income, to the extent that the items reclassified are required under U.S. GAAP to be reclassified to net income in their entirety. In addition, for other items not required under U.S. GAAP to be reclassified in their entirety to net income, the tabular disclosure would require only a cross-reference to other disclosures providing additional detail about these reclassifications. Would the proposed disclosures provide useful information to users of financial statements? If not, please explain why.

Yes. We believe the proposed disclosures would provide useful information to users of financial statements. In most cases, the information in the proposed disclosures is already being provided in footnotes prepared under US GAAP. However, this proposal effectively brings everything together in a single footnote for users to more fully and clearly understand how changes in AOCI are subsequently reflected in net income.

Question 2: Would an entity incur significant costs because of the proposed amendments in Question 1? If so, please explain the nature of those costs. The proposed amendments also would require an entity to provide the disclosures about the effect of reclassifications out of accumulated other comprehensive income by component both on an interim basis and on an annual basis. Would an entity incur significant costs because of the proposed requirement for interim-period disclosures? If so, please explain the nature of those costs.

As noted in our response to question 1, almost all of the information that the ED would require already is required to be disclosed elsewhere in the financial statements under U.S. GAAP. As a result, we do not anticipate significant costs will be incurred to implement this guidance, even if required on an interim basis.

Question 3: The proposed guidance would apply to both public entities and nonpublic entities (that is, private companies). Should any of the proposed amendments be different for nonpublic entities? If so, please identify those proposed amendments and describe how and why you think they should be different.

We do not see a need to provide separate guidance for private companies, as the benefits seem to outweigh the costs.

Question 4: The Board has discussed the possibility of making these proposed amendments effective for public entities as early as for annual reporting periods ending after December 15, 2012, and to delay the effective date for nonpublic entities by one year. Would those effective dates be practicable? If not, please explain why.

We believe it is most practicable for the new disclosures outlined in the ED to be effective with the following dates: For public entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2012. For nonpublic entities, the amendments are effective for fiscal years ending after December 15, 2013. In both cases, early adoption would be allowed. The information obtained by the Board from users during the outreach process indicates that the information provided by the proposed disclosures will be helpful, but not critical, as the disclosures

as outlined in the ED are already included in other financial statement footnotes under current U.S. GAAP. Therefore, the need to immediately incorporate the proposed consolidated tabular disclosures seems less critical. Even though most of the disclosures outlined in the ED are already included in other financial statement footnotes under current U.S. GAAP, as a practical matter, it will take time to incorporate them into the year-end financial statement drafting process, which, for most calendar year-end companies, is already underway. It will also take time and resources to build the appropriate processes and controls for the new disclosures, including obtaining the appropriate level of management and audit committee review.