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September 29, 2004

Mr. Robert Herz, Chairman
Financial Accounting Standards Board
401 Merritt 7
Norwalk, CT 06856-5116Letter of Comment No: ⁵⁶
File Reference: EITF03-1
Date Received:Mr. Lawrence W. Smith, Chairman
Emerging Issue Task Force
401 Merritt 7
Norwalk, CT 06856-5116

Re: Proposed FASB Staff Position EITF Issue 03-1-a and EITF Issue 03-1-b and their impact on EITF Issue 03-1 - "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments" (EITF 03-1)

We appreciate the opportunity to comment on the FASB Staff Position papers recently issued with respect to the application of EITF 03-1. The interpretation and application of this guidance is an important subject for the insurance industry, particularly for companies providing longer duration products and services.

Our greatest concern relates to the loss of relevance of GAAP net income to financial statement users that may result from implementation of these rules. We think that the interpretation as currently defined would lead to a proliferation of non-GAAP measures. The existence of non-GAAP measures continues to be an issue for registrants. We have been informed by investors and investment analysts, should this rule go into effect, that they will "adjust" it out of net income in their analysis of our operating performance. The relevance of the new rules is further complicated by the related requirements of SOP 03-3, which in essence, converts capital gains in one period into operating income in other periods. Because of this, we tend to agree with these financial statement users that application of the new rules will detract from the usefulness and clarity of GAAP net income as a measure of operating performance. The diminished relevance of the primary GAAP performance measure exacerbates an existing perception gap for life insurance investors, which could result in lower shareholder valuations and higher borrowing costs for issuers.

The inclusion of interest rate impairments, without recognition of offsetting interest rate gains results in a lower of cost or market valuation, a result specifically rejected by the Board in SFAS 115. If the intent of the interpretation is to amend SFAS 115, then we believe the guidance should be considered within the agenda of the Board, with careful attention to the views of constituents.

The interpretation, as currently exposed, could dramatically impact the portfolio management activities of life insurers, who generally purchase longer duration assets, matched to longer duration liabilities, which are not adjusted for changes in interest rates. The interpretation would most likely result in non-economic investment management decisions, particularly in a rising rate environment.

Asset/liability management (ALM) is a critical risk management strategy in our industry. Under the paragraph 7 guidance, in a rising interest rate environment, companies that continue to practice prudent ALM strategies will essentially be forced into lower of cost or market accounting. For this reason, we recommend that the Board add another circumstance under paragraph 7 of EITF Issue 03-1-a that would allow the sale of Available for Sale securities in support of Asset/Liability management strategies.

Response to Specific Inquiries – EITF 03-1-b

Issue 1 – Minor Impairments – We recommend that the Board specify a “bright line” test. Such a de minimis provision would lessen the burden on preparers and would obviate the need for documentation of value differences that would ordinarily prove to be temporary under any reasonable evidence-based technique. Also, such de-minimis test would eliminate differences among preparers in interpreting temporary impairments. Any bright line test adopted by the Board for debt securities should consider normal market interest rate fluctuations as well as durations of the individual debt securities. For this purpose, we believe that a reasonable approach would consider implied market volatility at one standard deviation applied to duration at the individual security level.

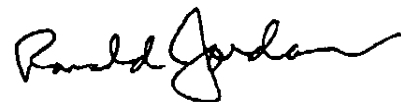
Issue 2 – Scope of Minor Impairments – We encourage the Board to extend de-minimis tests to investments analyzed under paragraph 10 of EITF 03-1 for the reason mentioned in that normal price volatility may well eliminate temporary impairments. Additionally, our other recommendations above, as well as the deferral contemplated by EITF Issue 03-1-b should apply to certain paragraph 10 assets, such as corporate callable bonds purchased at a premium.

We thank you for your consideration in this matter and look forward to your response.

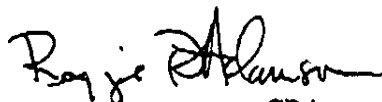
Sincerely,



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