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September 7, 2004

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

RE: Proposed Statement of Financial Accounting Standards - Fair Value Measurements

Dear Sir or Madam:

The American Council of Life Insurers (ACLI) would like to offer some general comments in response to the above referenced Exposure Draft (ED). As this in an important topic to the insurance industry, we are very interested in participating in the public roundtable that is to be held on September 21st to discuss this issue. Our comments in this letter will be limited to the application of fair value measurements to insurance contract liabilities. ACLI is the principal trade association of life insurance companies, representing 368 members that account for, in the aggregate, 71 percent of the assets of legal reserve life insurance companies in the United States.

As you are aware, the International Accounting Standards Board (IASB) has been working on the Insurance Contracts Project for the past several years. The ACLI has actively participated in these ongoing deliberations at the IASB and have contributed numerous comment letters during the course of the project. One of the tentative decisions that the IASB has made is that the accounting model for insurance contracts will be based on fair value concepts.

We are concerned with the potential application of the principles in the ED to the valuation of liabilities arising from insurance contracts. There are many issues that would need to be addressed before any possible fair value measurement can be considered for insurance contract liabilities. We have raised our concerns over these issues to the IASB in our comment letters on their insurance contracts project. These concerns include:

- As there is no active market in which insurance liabilities are traded, fair value for insurance contract liabilities would actually be a "modeled value".
- This modeled value would be dependent on a large number of assumptions that each company would be required to make. This could lead to an accounting model with less comparability from company to company and with results that would be potentially easier to manipulate.
- Valuing insurance contract liabilities on a fair value basis would increase volatility into the income statements of insurance companies that does not reflect economic reality.
- The products of the life insurance industry are typically long duration. Adjusting the
 accounting for them to reflect short-term changes in interest rates does not fairly present
 the appropriate economics of these products.
- Gains or losses on insurance contracts may be recognized prematurely.
- Financial statements will be less understandable to the user.

We look forward to participating in the roundtable discussion on this issue on September 21st to discuss these and other concerns in more detail.

Sincerely,

James F. Renz

Director, Accounting Policy