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August 24, 2006

LETTER OF COMMENT NO. 52

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

**Letter of Comment No:**  
**File Reference: 1325-100**

**Re: Invitation To Comment**  
**Bifurcation of Insurance and Reinsurance Contracts for Financial Reporting**

Dear Technical Director:

MetLife, Inc. ("MetLife") appreciates the opportunity to respond to the *Invitation To Comment on Bifurcation of Insurance and Reinsurance Contracts for Financial Reporting* ("ITC").

We commend the Financial Accounting Standards Board's ("FASB's" or "Board's") initiative to gather information and insights regarding possible alternative accounting treatments of insurance and reinsurance contracts in the financial statements. We also understand that there are other projects to strengthen and clarify current risk transfer guidance and disclosure requirements regarding such contracts.

MetLife believes the existing GAAP guidelines on the separation of reinsurance contracts into those that qualify for deposit accounting and those that qualify for reinsurance accounting are generally sufficient. Extending these requirements to primary insurance contracts would be administratively cumbersome and would not provide additional benefits to the users of the financial statement. The accounting principles in Statement Nos. 5, 113, and 97, AICPA SOP 03-1 and EITF Topic D-34 which provide guidance on risk transfer have stood the test of time and have been well accepted by the insurance/reinsurance enterprises and by their auditors and regulators.

Except in some cases of unequivocal risk transfer, the proposed criteria in the ITC for bifurcation and the associated methodologies are focused at the individual contract level. However, insurance enterprises underwrite risk on a portfolio basis wherein risks are pooled. This is the essence of insurance business. We believe investors and other users of the financial statements also evaluate and analyze an insurance company's performance based on overall risk underwritten and not at the level of a contract or policy. The concepts embodied in the ITC overlook the fundamentals of insurance business and would not enhance the financial statement presentation and accounting by insurance enterprises.

The concept of bifurcation in the ITC is addressed in isolation and does not attempt to cover the related accounting issues affecting an insurance enterprise. Bifurcation, as suggested in the ITC, would require that a portion of the premiums be recognized in the income statement and the remaining portion, which is categorized as a deposit, be recognized on the balance sheet. Insurance related concepts such as deferred acquisition cost ("DAC"), whereby the cost of acquiring a policy is recognized over the life of the

contract, are not addressed in the ITC. In case of a life insurance business, the capitalization, amortization and recoverability of DAC involves complex analyses and a bifurcation approach would complicate such analyses. In addition, the effect of bifurcation on insurance reserves, loss recognition and premium deficiency reserves, which are also key concepts in insurance accounting, are also not addressed.

In our opinion, the alleged accounting abuses relating to risk transfer and insurance/reinsurance accounting referenced in the ITC have been due to the misapplication of rather than the inappropriateness of accounting guidance. Further, the majority of the reported abuses are related to reinsurance accounting. Therefore, we believe the application of the bifurcation principle to primary insurance contracts is not warranted. Moreover, application of bifurcation principle to non-insurance commercial entity policyholders, who may not have the required expertise, will prove to be a costly exercise with no real additional value.

We urge the FASB to concentrate on strengthening the present guidance on implementation of risk transfer analysis and the reporting of assets and liabilities on reinsurance rather than pursuing the proposed bifurcation approach. Our comments on the issues highlighted in the ITC are presented on the following pages. Our comments reflect our major concerns regarding the usefulness and practicality relating to bifurcation of insurance and reinsurance contracts. We also seek clarity on certain aspects in ITC.

If you have any questions regarding the contents of this letter, please feel free to contact me. We appreciate the opportunity to comment on this vital issue relating to insurance and reinsurance accounting.

Very truly yours,

Robert C. Tarnok  
Vice President  
Technical Accounting Services Unit

cc: Joseph J. Prochaska, Jr.  
Executive Vice President and Chief Accounting Officer

Sandra J. Peters  
Vice President & Corporate Controller

*Comments on Issues Raised by the FASB*

*ITC Issue No. 1*

**Does the IFRS 4 definition of *insurance contract* identify insurance contracts and sufficiently distinguish those contracts from other financial contracts? Does the GAAP definition of *insurance risk* identify and separate that risk from other risks such as financial risk? Do the descriptions of finite insurance and reinsurance contracts, including the risk-limiting features, identify those contracts? How could the definitions and descriptions be improved?**

While it is important to have a definition an insurance contract, we believe that the definition under IFRS is too broad due to the use of the word “compensation”. We agree that the GAAP definition of “insurance risk” as stated in Paragraph No. 121 of Statement No. 113 does separate insurance risk from financial risks. Although Paragraph No. 10(c) of Statement No. 133 also uses the word “compensated”, the remainder of the paragraph does contain a better description of an insurance contract and is reproduced below:

*“...a contract is not subject to the requirements of this Statement if it entitles the holder to be compensated only if, as a result of an identifiable insurable event (other than a change in price), the holder incurs a liability or there is an adverse change in the value of a specific asset or liability for which the holder is at risk...”*

We would suggest incorporating certain thoughts from both Statement Nos. 113 and 133 into the IFRS definition and recommend the following enhancement to the insurance contract definition:

*A contract under which one party (the insurer) accepts both significant underwriting and cash flow timing risks from another party (the policyholder) by agreeing to provide economic protection against adverse effects to the policyholder or his/her beneficiaries if a specified and identifiable uncertain future event, other than change in price or fair value, (the insured event), occurs.”*

Additional clarification is also required as to whether the boundaries of the contract in the definition are intended to imply a single legal document in which the contract is executed or individual elements in those contracts. Consider, for example, life insurance contracts with joint survivor benefits or annuity contracts with extension of minimum withdrawal annuity payments for life of a beneficiary. In each of these cases, the policies could be considered as two separate contracts. Further, in the case of group life contracts, there is generally a single contract between the insurance enterprise and the group contractholder. Clarification would be needed in the insurance contract definition to ensure that the concepts of risk transfer are not applied at the participant level in group contracts.

We note that Paragraph No. 36 of the ITC describes “finite” risk insurance and certain risk limiting features. While we believe defining “finite” to describe risk limiting features may not be appropriate, the risk limiting contract features listed therein could be used to trigger the requirement to evaluate risk transfer and disclosure thereof.

*ITC Issue No. 2*

**Can the Statement 113 risk transfer guidance for reinsurance contracts be applied by corporate policyholders and insurers for determining whether an insurance contract transfers significant insurance risk? If not, how can the Statement 113 guidance be modified or clarified to apply to insurance contracts?**

Statement No. 113 provides principles-based guidance for the evaluation of risk transfer in a reinsurance contract. FASB had earlier decided not to extend the provisions in Paragraph Nos. 8-13 of the statement to primary insurance transactions, although Paragraph No. 44 of Statement No. 5 suggests that it is appropriate to apply a uniform concept of indemnification to both insurance and reinsurance contracts.

Risk transfer evaluation of reinsurance contracts is currently done with reference to the present value of cash flows between the ceding and assuming enterprises. The concept of insurance is based on pooling of risks emanating from a number of similar contracts or risks. Generally, the contracts underwritten are evaluated together in terms of reserving, profitability and administration. Thus, evaluation of risk transfer on a contract by contract basis may not be meaningful and appropriate for all primary insurance transactions.

The evaluation of risk transfer requires the application of actuarial expertise to analyze the probability of loss from underwriting an insurance or reinsurance contract. Corporate policyholders may be forced to hire expertise to evaluate insurance risk transfer. This would increase cost and may create situations where policyholders and their insurance companies may come up with different conclusions regarding risk transfer.

However, we do believe that the guidance under Statement No. 113 needs to be strengthened to consider new product evolutions and expanded to include guidance on reinsurance of life insurance products. For example, in the case of annuity contracts, there are products with multiple riders which are included with the original contract or are added later as separate riders. The issue as to whether each rider should be considered a separate contract or be considered together with the base contract needs to be addressed. At present, AICPA SOP No. 03-1 supports contract feature analysis as guidance for accounting of these annuity contracts.

*ITC Issue No. 3*

**Does classifying an entire contract as insurance or bifurcating that contract into insurance and deposit components provide more understandable and decision- useful information? Which qualitative characteristics most influence your decision? Which approach more faithfully represents the economic substance of the contract? Why?**

We re-emphasize that insurance business is based on pooling of risks. Insurance contracts such as traditional life, auto and home contracts are priced based on anticipated volume of business underwritten and are not based on the principle of underwriting a single contract.

The present guidance under Question No. 13 in EITF Topic D-34 requires that a contract formulated under one single legal document that contains risk and non-risk coverages needs to consider each coverage separately for accounting purposes. We feel that this guidance is sufficient to actually isolate deposit elements within a single legal contract for accounting purposes.

Further, the ITC uses the term “unequivocal” to determine the extent of transfer of significant insurance risk for individual contracts. As stated earlier, as insurance is based on the concept of pooling of risks, an insurance enterprise would always aggregate the individual contracts or risks for pricing and reserving based on the expected experience on the aggregate contracts or risks underwritten. Since aggregation of contracts or risks could result in a deposit element, as in the case of group contracts and reinsurance contracts as per the ITC, individual contracts could also be deemed to have a certain deposit element in them. Thus, although we oppose the suggested bifurcation principle, we believe that, in so far as it relates to the contract description in Paragraph No. 58 of the ITC, the manner of applying the bifurcation approach to individual contracts appears to be flawed and is not reflective of the underlying business concept of insurance.

We do not believe that bifurcation of insurance contracts would provide financial statement users with more understandable and decision-useful information. The following provides some reasons as to the impracticality of the concept of bifurcation:

- a) Bifurcation may result in arbitrary results, which may not lead to the understanding of what the deposit and the insurance components represent.
- b) Premiums paid by a policyholder serve a variety of purposes. A portion of the premium compensates the insurer for the assumption of risk and provides for recovery of the insurer's contract acquisition, initiation, and maintenance costs. Another portion of the premium contributes to the accumulation of contract values, especially for life insurance. Premium is the ultimate charge for the risk cover sold. Bifurcating premium may not necessarily result in an appropriate matching of cost and revenue.
- c) Certain annuity and universal life-type policies are already accounted for as a deposit under Statement No. 97. Revenue is only recognized when charges are assessed against the account balance. Further bifurcation of these contracts may not be appropriate and would be redundant.
- d) Application of bifurcation would create a separate deposit and insurance premium component with a provision of policy reserves only for the insurance portion. However, when an actual benefit payment is made, the bifurcation of that payment between the policy reserve component and deposit component would be complex and, in most cases, arbitrary.

- e) Another complexity would be the application of the bifurcation principle to DAC. Bifurcating DAC between the deposit and insurance components would also be arbitrary. The recoverability assessment and amortization would also need to be done separately for these two components and would involve additional costly analyses and processes costs with no real benefit.
- f) Loss recognition or premium deficiency reserves are based on tests for the existence of a probable loss on an entire line or block of business. In the case of life insurance enterprises, expected future mortality and investment experiences are considered in assessing the deficiency. Under the proposed bifurcation approach, insurance companies could take the view that only the probability of loss from mortality should be considered in calculating loss recognition and premium deficiency reserves and could ignore the investment element which could be considered linked to the deposit component.
- g) From a corporate policyholder's perspective, if the premium is required to be bifurcated into a receivable deposit component and a pure insurance component, the actual recoverability of the deposit element through benefits is still based on an identifiable insurable event. If no identifiable insurance event occurs, no amount is receivable by the insured. This leads to complexities in estimating the impairment/recoverability of the deposit component by the policyholders.
- h) The amount of time, effort and cost to bifurcate insurance contracts would not be commensurate with the conceptual benefits intended to be achieved.

*ITC Issue No. 4*

**The flowchart suggests a sequence for analyzing contracts that integrates current insurance accounting guidance with a hypothetical bifurcation analysis. Do you believe that the sequencing and integration are appropriate? What changes would you propose?**

The flowchart sequence for analyzing contracts appears to be more rule-based requiring the existence of a required characteristic, especially to screen contracts with unequivocal risk transfer under step (c). Statement No. 113 seems to have a secondary role on the evaluation of risk transfer.

Further, if a contract does not pass the test of significant risk transfer, the whole contract is accounted for as a deposit under step (d) of the flow chart. This implies that bifurcation only applies to contracts that have significant risk transfer. Contracts that fail risk transfer analysis under Statement No. 113 are accounted for in their entirety as a deposit contract. This may be inconsistent with the overall principle of bifurcation as described in the ITC as the insurance component in these contracts may still be material despite failure of risk transfer evaluation.

Step (e) is the new screen, which is proposed for consideration of bifurcation based on specified contractual terms and features. We believe that this would lead to the creation of “bright lines” and a rule-based approach rather than the existing principles-based approach.

*ITC Issue No. 5*

**Do you agree with the characteristics identified for contracts that do or do not unequivocally transfer significant insurance risk? If not, why not? Should other characteristics be added? Are the examples in Appendix B representative of the discussion in paragraphs 57–59?**

We note that the intent of characterizing contracts on the basis of the test of unequivocal transfer of significant insurance risk is to exclude most individual insurance contracts from bifurcation. We would reiterate that risk is underwritten in an insurance business through the pooling of risks and the application of the principle of law of large numbers. Insurers and reinsurers conduct their business based on this principle. Under the proposed required characteristic in Paragraph No. 58(f), the evaluation of probability of claims is not done on a contract by contract basis but on a portfolio basis. Hence the whole concept of contracts with unequivocal risk transfer seems inconsistent with actual business practice.

Generally, insurance and reinsurance business is characterized with profit sharing elements as incentives to reward agents and insurance enterprises to adopt good underwriting practices. The presence of these features may qualify such contracts for bifurcation. This would impact the conduct of the business itself, as insurance companies may choose to eliminate this as an incentive to avoid bifurcation. We feel that the present guidance to evaluate risk transfers on reinsurance contracts is adequate as it assesses the overall cash flow and the reasonable possibility of a loss to the reinsurer and addresses the concern as to whether the presence of risk limiting features actually restricts the risk transfer.

The use of the term “not likely” as opposed to the degree of reference to likelihood in Statement No. 5, which is well established and received, is a new reference that would increase subjectivity. Moreover, we feel that the required characteristic and the use of the word “not likely” under Paragraph No. 58(f) could be interpreted as being contradictory to the whole principle of risk transfer:

*“The contract is not likely to result in any claims (for life insurance, although death is certain, the timing of the death and the existence of insurance coverage at the time of death are not).”*

Under the risk transfer principle as per Statement No. 113, this requirement could be interpreted to imply that there is no transfer of risk as the insurer/reinsurer is not subject to a reasonable possibility of a significant loss.

In order to clearly exclude life insurance contracts from bifurcation, the parenthetical remark in Paragraph No 58(f) needs to indicate the claim in any one period may not be certain although it is eventually a certainty over the policy in-force, as in the case of a whole life policy. It is also not entirely clear whether life insurance contracts such as joint and last survivor contracts would be considered to “unequivocally transfer insurance risk” since, although the payment is only made upon one death, it is unknown at the time of issue which individual’s death covered by the contract will generate the death benefit payment. We believe it is appropriate and consistent with the ITC’s intent for such contracts to be considered as “unequivocally transferring insurance risk” and that it should be clarified as such.

The characteristics and the examples in Appendix B do not discuss or list the features that are be unique to individual life insurance contracts. As an example, in the case of participating whole life products, it is not clear whether the dividend features within such contracts should be considered as a risk limiting feature under Paragraph No. 58(e):

*“The contract has no risk-limiting features that adjust the profit or loss on the contract based on the claim loss experience of the contract.”*

As dividends are generally not based on the experience of individual contracts and are paid in accordance with the contribution principle, they should be excluded as a factor in reviewing risk-limiting features for the purpose of implementing this guidance. Further, there should be an exclusion provision for universal life-type insurance products currently accounted for under Statement No. 97 (as noted in Issue No. 3) and products accounted for under Statement No. 120.

The characteristics also do not appropriately address payout annuity contracts with life contingencies. The longevity risk is entirely assumed by an insurance enterprise but the nature of a payout annuity does not satisfy the required characteristic for unequivocally transfer significant insurance risk. Statement No. 97 presumes that payout annuities with life contingencies do contain significant mortality risk. The current wording in the ITC could be interpreted to require bifurcation of a life contingent payout annuity contract into a deposit element (representing the "expected" payouts up to some point before presumed death) and an insurance element (representing payouts after the arbitrary cutoff of "expected" payouts). This is another issue that will increase complexity in implementing a bifurcation approach.

*ITC Issue No. 6*

**Do you think the characteristics described in paragraph 58 for unequivocal insurance contracts are an improvement over the exemption from cash flow testing in paragraph 11 of Statement 113 (summarized in paragraph 37(c) of this Invitation to Comment)?**

As commented in Issue No. 5, the anomaly which is present in Paragraph No. 58(f) needs to be addressed. We believe that substantial assumption of all of the insurance risks by an insurance/reinsurance enterprise as enumerated in Paragraph No. 11 of Statement No. 113 is flexible enough to evaluate all type of contracts for risk transfer. The characteristics listed in the ITC may provide some direction (albeit only for individual and single risk policies) and are not an improvement over the existing guidance in Statement No. 113. Further, we would emphasize that there is no adequate guidance for life insurance contracts.

*ITC Issue No. 7*

**Do you prefer Approach A or Approach B for identifying contracts subject to bifurcation? Why? Do you believe that another approach would be superior? If so, how would you describe that approach? Would your preferred approach be operational? Would it make financial statements more decision useful?**

We believe that neither approach for bifurcation is appropriate. As stated earlier, we are skeptical that the concept of bifurcation, as outlined in the ITC, is appropriate or relevant to insurance business which involves pooling of risks and portfolio management of risks.

Approach A appears to include contracts with significant financing components. One could misinterpret this to mean that life insurance contracts, due to its inherent nature, have significant financing components (due to the long term nature and the extent of benefit paid in relation to premiums received) and would thus be deemed to qualify for bifurcation under Approach A. This appears to be in conflict with the unequivocal risk transfer test under Paragraph No. 58 of the ITC in so much as it attempts to exclude individual life insurance contracts.

Approach B appears to include all contracts that have not been screened out for insurance or deposit accounting in their entirety. This would include most insurance contracts that do not pass the unequivocal risk transfer test.

*ITC Issue No. 8*

**Should the criteria for bifurcation be different for insurance contracts and reinsurance contracts? Why? If yes, what differences would you suggest?**

The concept of risk transfer is more applicable to non-life reinsurance contracts where most of the alleged abuses have been noted. Currently, the existing GAAP guidelines under Statement No. 97 and AICPA SOP 03-1, which are principle-based, are applied to both life insurance and reinsurance contracts and have been considered adequate. In the case of insurance contracts that unequivocally transfer significant insurance risk, we believe that any bifurcation principle would need to be considered at the reinsurance level as per Paragraph No. 59 of the ITC:

*“...Similarly, portfolios of contracts that qualify individually as unequivocal insurance contracts would have expected losses. Contracts that reinsure these portfolios would not meet the unequivocal test because those contracts also would have an expected level of claim activity. Accordingly, arrangements that provide for reinsurance of any portion of business written by the reinsured would be subject to further bifurcation testing.”*

Also, existing guidance on reinsurance contracts requires risk transfer analysis to isolate contracts that do not transfer significant insurance risk and to account for such contracts in their entirety as a deposit contract. However, if the bifurcation approach is adopted, even if a contract transferred significant risk, a component of the contract would need to be bifurcated and treated as a deposit. We reiterate, as we have done throughout our responses to the ITC, that the suggested bifurcation approach does not consider the business model of insurance.

In addition, if application of Question No.13 of EITF Topic D-34 is applied to insurance contracts that do not pass the unequivocal risk transfer test, these contracts would need to be considered with similar contracts with the same individuals to evaluate significant transfer of risk at an aggregate level. Currently, this concept has only been applied to the reinsurance contracts. However, we feel that applying the same principle at the insurance contract level would complicate underwriting practices and lead to unnecessary cost.

*ITC Issue No. 9*

**Which of the methods identified in this Invitation to Comment for bifurcating insurance and reinsurance contracts do you believe has the most conceptual merit? Please explain. Please describe any additional bifurcation methods that you believe should be considered. Would corporate policyholders encounter unique implementation problems in applying any of the methods discussed in this Invitation to Comment?**

As noted in the previous response, MetLife does not believe bifurcation of insurance and reinsurance products would enhance the transparency of financial statements of insurance and reinsurance enterprises and corporate policyholders. We also note the ITC acknowledges that all the methods of bifurcation must be researched further to determine the operational feasibility of the approaches and whether the bifurcated results would offer a significant improvement in financial reporting for insurance contracts.

Nevertheless, if the FASB continues to pursue bifurcation, we believe that the expected payout method may be appropriate from the point of view of an insurance enterprise. However the term “expected payout” could be interpreted as an average or mean claim. The term would falsely imply that there is no insurance risk around the payments at the mean level. In fact there is a great deal of insurance risk around the mean claim level, since it is often more likely than not that the actual payment will be less than the mean amount. Thus, this would be an inappropriate level at which to define the deposit element. However, we believe that the ITC’s intent was to set the deposit level at an amount that the payment is highly unlikely to fall below, consistent with a natural interpretation of the term “deposit”. The terminology could be renamed as “minimum expected payouts” to reflect the fact that it implies high probability of claim payouts in a contract, which bears the characteristic of a deposit component in a contract.

Generally, the reserving process in insurance industry is not typically done on a contract by contract basis. A cohort or group philosophy is used wherein the policies are grouped based on certain characteristics and then evaluated as to the probability of occurrence. A similar concept would have to be adopted for evaluating risks on primary insurance contracts. If, however, one were to study each of the contracts individually, the reserve amounts could be different. The sum of all individual reserves of the contracts would not be equal to the cohort due to the application of the pooling concept of risks.

Thus, bifurcation would only be possible at the group/cohort level. The deposit component separation by application of the minimum expected payout method may not be an accurate reflection of the deposit components of the individual contracts. Further, there are practical difficulties in implementing this especially for retrospectively rated contracts where there could be adjustments to premiums.

The cash flow yield method appears extremely complicated to implement especially for group contracts and retro-rated contracts where premiums may be adjusted every year. It would also appear to produce a deposit amount in all situations even where the “expected” payout is zero or where the proportion of risk transfer is 100%. We strongly feel this is undesirable and adds to the complication of implementing this method.

The proportional method may be more practical from the point of view of a policyholder. Policyholders, other than insurance enterprises, may not have the required actuarial expertise to adopt the other two methods and it may prove to be expensive. The measurement of the degree of risk by non-insurance enterprises may be a part of their risk

management strategy, which may be the very basis on which they have entered into insurance contracts.

*ITC Issue No. 10*

**Would data availability limit the development of any of the bifurcation methods discussed in this Invitation to Comment? To what extent are the models that would form the basis for these methods used to underwrite and price products? Would data availability (or lack thereof) affect only certain insurance forms, products, or lines of business? If so, which ones and why?**

We believe data availability may not be an issue in the development of the bifurcation methods. However, we also believe that bifurcation, as proposed, would result in extreme administrative complexities and added cost. If the bifurcation approach were to be adopted, premium receipt, benefit payment and reserving processes would need to be modified and the screening process would have to be set up to capture the normal voluminous daily operations of an insurance enterprise.

*ITC Issue No. 11*

**In view of the IASB's project on insurance contracts, should the FASB be considering bifurcation of insurance contracts based on transfer of insurance risk?**

We note that IFRS No 4 does allow for unbundling of contracts into deposit and insurance components if the deposit component is measurable. The ITC focuses on identification of the deposit component in an insurance contract. At its April 2006 meeting, the IASB was asked to consider whether a measurement model should unbundle the individual elements of an insurance contract and measure them individually. It was proposed that unbundling deposit and service components for the purpose of recognition and measurement is likely to require arbitrary allocation and complex systems, and is unlikely to result in more representationally faithful financial statements. There is further research being done by IASB on unbundling. We would recommend that the FASB take the results of that research into consideration in the spirit of convergence and hold further action on the bifurcation until the IASB research is complete.

***Other Issues***

Present accounting pronouncements do not provide adequate guidance on deposit accounting for life insurance and long-term health insurance contracts. The long-term risk transfer project by FASB would hopefully consider this in the upcoming deliberations.

We also believe the ITC needs to address the application of the bifurcation principle to contracts that are retrospectively rated and those that are retroactive.

In the case of business combinations, bifurcating the fair values of the deposit component and the fair value of the insurance component may be difficult. Bifurcation would also have a significant impact on the establishment and amortization of value of business acquired (“VOBA”) and would complicate any type of business combination.

In addition, we recommend FASB explore the effect of any bifurcation approach in conjunction with other projects such as fair value measurement and fair value option. For example, the fair value option in the current exposure draft, *The Fair Value Option for Financial Assets and Financial Liabilities - Including An Amendment of FASB Statement No. 115*, does not allow bifurcation of contracts.

Finally, if the discussion of the bifurcation concept is intended to be inclusive of all insurance products, as indicated by our previous comments we believe that more analysis and examples are warranted for various types of life insurance and annuity products.

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