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August 29, 2006

Ms. Suzanne Bielstein
Director of Major Projects and Technical Activities
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut, 06856-5116



LETTER OF COMMENT NO. 59

**Re: File Reference No. 1325-100: Bifurcation of Insurance and Reinsurance
Contracts for Financial Reporting**

Dear Ms. Bielstein:

Citigroup is pleased to have the opportunity to comment on the Invitation to Comment, *Bifurcation of Insurance and Reinsurance Contracts for Financial Reporting* (the ITC).

Citigroup does not support bifurcating insurance and reinsurance contracts into insurance components and deposit components as suggested by the ITC. We appreciate the FASB's concerns regarding the use of certain finite insurance contracts, but we do not believe that the ITC's proposed bifurcation guidance is needed to prevent accounting abuses posed by these contracts. We believe that the current accounting guidance and definition of risk transfer in FASB Statement No. 113, *Accounting and Reporting for Reinsurance of Short-Duration and Long-Duration Contracts* (Statement 113), provides an adequate basis for insurance accounting. Statement 113, in conjunction with other insurance accounting literature, is a principles-based approach that provides relevant and reliable accounting for these products when appropriately applied. The existing insurance accounting rules are time-tested and well understood by users of financial statements. In contrast, the ITC would create more complex guidelines that would create confusion and add implementation costs.

Also, Citigroup does not believe that bifurcating a contract into insurance components or deposit components would provide more decision-useful information. The notion that one can discern, purely from the amount of premiums paid, any useful information as to the risk mitigated, or insurance coverage received, is not accurate. Although bifurcation may provide some information from an insurance/reinsurance company perspective, we do not believe that it would provide any significant insight into the risk profile of a policyholder, and attempting to obtain such insight would come at a significant cost associated with implementing such guidance.

From a corporate policyholder's perspective, the data availability would be a significant issue in applying any one of the bifurcation methods discussed in the ITC. As buyers of insurance, we do not utilize expected payout models for purchased insurance; thus, the implementation would not be possible without significant additional resources.

Citigroup does not believe that the FASB should pursue a separate major project on the bifurcation of insurance contracts when it has already agreed to work with the International Accounting Standards Board (IASB) on a joint project to establish a general framework for accounting for insurance contracts. Since the IASB's phase II project on insurance contracts should address substantially all accounting for insurance and applies to both insurers and policyholders, we believe that it would be more appropriate for FASB to address any significant changes to the current insurance accounting model as part of this joint project. The FASB's concerns about improving the guidance surrounding the definition of insurance risk and risk transfer should also be addressed as part of the joint project. Citigroup would also encourage consideration of robust and comprehensive insurance disclosures regarding contracts that contain certain risk-limiting and/or finite risk features as part of that project. However, we urge both the FASB and IASB to leverage current U.S. GAAP principles related to insurance accounting when creating an international insurance framework, as we believe these principles are reasonable.

In addition, IFRS 4's definition of insurance contracts provides a workable framework for the definition of an insurance contract, although we would note that the concept of "indemnification" as currently provided in FASB Statement No. 5 is a greater hurdle that could be incorporated into the IASB's definition.

As stated before, we believe the current U.S. GAAP rules related to insurance are well tested and work adequately when properly applied. Therefore, Citigroup does not believe that it is practical or beneficial for the FASB to be considering the bifurcation of insurance contracts based on transfer of risk at this time. Since convergence with the IASB's standards is a stated goal, we recommend the FASB work with the IASB in creating an international framework of standards related to insurance accounting.

We would be pleased to discuss our comments with you at your convenience. Please contact me at (212) 559-7721.

Sincerely,

Robert Traficanti
Vice President and Deputy Controller