

LETTER OF COMMENT NO.



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Subject:

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APPROPRIATE PERSON

----Original Message-----

Bob Mucci [mailto:RaMucci@nglic.com]

Sent: Friday, March 27, 2009 04:23 PM Eastern Standard Time

To: Judy Solo; Tom Linsmeier; Leslie Seidman; Marc Siegel; Larry Smith; Robert Herz

Swab, Hilary (Kohl); FrankKeating@acli.com

Comment on the Mark to Market reguation guidance PLEASE FORWARD TO

THE APPROPRIATE PERSON

Good Afternoon,

I am the Chief Investment Officer for National Guardian Life Insurance Company and a 28 year investment professional. I am concerned that the FASB will not go far enough in reworking the regulations tied to mark-to-market accounting.

- While past guidance is perceived to be helpful, it has evolved into investment personnel spending way too much time justifying values to our auditors. It's gone from just being aggravating to an outright ridiculous circle of back and forth with our auditors on each individual security.
- We need mark-to-market relief because the current regulations when combined with the embedded penalties in Sarbanes Oxley have created an environment where everyone is afraid of going to jail if their valuations are questioned and found erroneous. In other words, while your general guidance is meant to be helpful, companies need language that encourages companies to use their best judgment and explain their general methodology vs. the various types of bright-line guidance which the auditing firms embrace. I appreciate your concern with this type of concept, but from a life insurance perspective, we need more flexibility since our liabilities are so long. Consider this, in general our industry holds large liquidity positions and has bank lines of credit to aid us when and if we have large liquidity needs. Also, and most importantly, most of our products that offer cash value have embedded clauses in them which provide us up to 6 months to return a policyholders money. Finally, as I said earlier, most our liabilities tend to be so long that its just not practical to invest in the most liquid and marketable securities. As you move forward, you need to consider mark-to-market accounting policies which are more rigid when short-term liabilities exist and more flexible for long-term liabilities say for assets backing liabilities 5 years and less use "X Approach" for Liabilities over 5 years use "Y approach" and for everything else use "Z approach". This type of guidance would actually be quite rational.
- I have read the proposed approach introduced in mid-March. While the proposed approach is better, I still feel that you are putting companies in a position of continuing to justify their pricing on all securities where cash flow values are used vs. unrealistic market values. You must figure out how to get this monkey off of our backs or you will continue to force companies to revert to what we are doing now. We can not operate in an environment where we spend so much time just defending values with our auditors. For instance, national auditors are now comparing client "A's" values vs.

companies "B, C,D" and are opting to believe the lowest value is the right value. This is ridiculous and implies that a company that always chooses a lower value for a security is the most accurate company.

4. Finally, the approach suggested did not mention any form of a "fresh look". In other words, since the guidance for mark-to-market is being changed then companies should be allowed to take a fresh look at prior writen-down valuations. At least the 2008 write-downs. You did this back in the mid-90's after companies had classified too many assets as "held to maturity". You literally let companies take a second bite at the apple and change their minds. I believe this is the most important element of any new policy. Companies, including ours, have had to take write-downs that just went too far and we deserve to be able to reconsider these write-downs in the spirit of any new guidance. This would go along way to restoring some of our lost regulatory capital for both banks and insurance companies. Please seriously consider this when you implement your new policy.

Thank you for your time.

Bob

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